FINANCIAL TIMES

World Business Newspaper http://www.FT.com WEDNESDAY DECEMBER 24 1997

WORLD NEWS

43 Mexicans die in massacre, raising fears of fresh turmoil

Paramilitary gunmen have killed 43 civilian supporters of Zapatista rebels in the southern Mexican state of Chiapas, raising fears of a fresh political and financial turmoil in the country. Page 10

Turkey attacks Greek veto
Turkey's trade minister Işin Çelebi said the European Union should suspend Greece's veto whenever it discussed issues relating to Turkey and its customs union with the EU. Page 2

Kennedy items to go on sale
A collection of more than 500 items once owned by president John F. Kennedy, including a racing sloop, will be auctioned for an estimated $3m in New York next March.

Primakov criticises West
Russia's foreign minister Yevgeny Primakov has lashed out at the west, saying it had tried to force Moscow into a humiliating "patron and client" relationship. Page 2

Romanian minister quits
Romanian foreign minister Adrian Severin resigned after an inquiry failed to back his claims that politicians and journalists had been spies for foreign governments. Page 2

Brazilian mayor convicted
São Paulo mayor Celso Pitta has been convicted of involvement in a multi-million dollar bond fraud. Page 4

Somali pact signed
Somalia's armed factions have *signed a peace accord in Cairo,* paving the way for the creation of national institutions after six years of civil war. Page 4

FT Christmas publishing
The Financial Times will not be published on Christmas Day or Boxing Day. The Weekend FT will appear as normal on Saturday December 27. We extend season's greetings to all our readers, advertisers and distributors.

Indonesia fires bankers
Indonesia has announced the sudden replacement of four central bank directors, leaving commercial lenders guessing whether it was serious about reforming the banking system. Page 2

German fraudster jailed
Former German property developer Jürgen Schneider, whose empire collapsed with debts of DM5bn ($2.8bn), has been sentenced to six years and nine months in prison after a Frankfurt court convicted him of fraud and forgery. Page 2

HK fights avian flu
Hong Kong has begun a temporary ban on chicken imports from the mainland, as the authorities stepped up efforts to combat the spread of bird flu. Page 2

Nikkei 225 share average
A graph on the front page of yesterday's editions of the FT overstated the 1989 peak of the Nikkei 225 share average. This was due to errors in the labelling of the scale. The average peaked at 38,915.87 on December 29, 1989.

BUSINESS NEWS

Zurich and BAT complete terms of $39.6bn merger deal

Zurich, the Swiss group, and UK-based BAT Industries agreed modified terms to create one of Europe's biggest financial services groups. The deal is worth $39.6bn, based on *Zurich's current* share price. Page 10

Maruso Securities, a small unlisted Japanese broker, filed for bankruptcy with Y46.3bn ($357m) liabilities, the fifth this year in Japan's ailing brokerage sector. Page 10

AT&T is to to sell its Solutions *Customer Care division to Cincinnati* Bell, a local telephone company based in Ohio, for $625m. Page 11

Publicis, the French advertising agency, plans to take control of nearly 72 per cent of True North of the US if its partial takeover bid succeeds. Page 12

Deloitte Touche Tohmatsu, the French accountancy firm which is one of the Big Six global networks, announced a merger with Calan Ramolino, France's third-biggest independent accounting firm. Page 12

Argentaria, the Spanish banking group, is seeking foreign partners as part of a strategy to secure a stable shareholding base once it is privatised next year. Page 11

Imperial Chemicals Industries is to sell its US and European explosives businesses to its former subsidiary, ICI Australia, for $370m. Page 11; Lex, Page 10

The European Commission suspended its anti-trust investigation into the proposed merger between WorldCom and MCI after requests to the companies for more information. Page 12

OTE, Greece's public telecoms operator, announced weaker-than-expected nine-month results, with pre-tax profits at Dr211bn ($752m) on turnover of Dr590bn. Page 12

Cairo Stock Exchange regulators agreed to end the 5 per cent limit on daily price fluctuations of Egyptian shares. Page 12

The French Post Office is seeking FFr2.7bn ($455m) government aid in exchange for a commitment to operate its 17,000 branches. Page 2

US Financial Accounting Standards Board has postponed the publication of new rules on reporting derivatives until June 15 1999. Page 4

Reckitt & Colman, the consumer products group, has bought four US cleaning product brands for $160m from SC Johnson. Page 14

Timex of the US is to buy out the 29 per cent stake in Timex Watches Limited of Titan, India's leading watchmaker. Page 12

Wharf Holdings, one of Hong Kong's biggest conglomerates, should be barred from dealings with financial institutions with affiliates in the US, a Denver court has ruled. Page 12

Nervous statement by Kim fuels Korea debt default fears

By John Burton in Seoul

Growing fears of a debt default by South Korea were fanned yesterday by a nervous statement about the country's financial crisis from Kim Dae-jung, president-elect, and by new downgrades of Korean bonds by international rating agencies.

The South Korean currency, the won, plunged 14 per cent to a record low of Won1,962 to the dollar from Won1,715 on Monday. The won was valued at Won1,000 to the dollar only a month ago. Interest rates hit a new high of 31.11 per cent, up 1.11 percentage points.

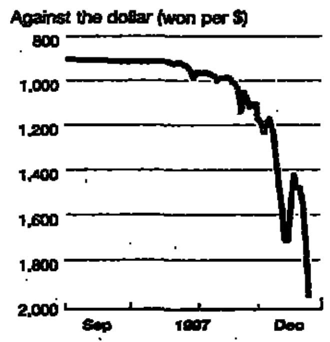
The stock market fell a daily record of 7.5 per cent to 366.36 points.

Investor confidence was shaken by downgrades of Korean government and corporate bonds to junk bond status by Moody's Investor Service and Standard & Poor's, the US credit rating agencies. The fear is that these moves might dissuade foreign banks from rolling over short-term debts of up to $20bn by the end of the year.

The World Bank was last night expected to approve an extraordinary $3bn loan to meet Seoul's liquidity problems and solve structural problems. Bank officials said approval of the loan reflected confidence that Korea's economic fundamentals remained sound.

Won

Against the dollar (won per $)



Source: Datastream/ICV

In Seoul, candid remarks about the debt situation by Kim Dae-jung also alarmed markets. "We don't know whether we would go bankrupt tomorrow or the day after tomorrow. I can't sleep since I was briefed [about the financial situation]. I am totally flabbergasted," he reportedly told members of his centre-left party.

But a party spokesman late yesterday said that the comments were misunderstood because they were only meant to underscore the severity of the crisis Korea faced, forcing it to agree to a $57bn bail-out from the International Monetary Fund.

Mr Kim, who has close ties with trade unions, yesterday said he would push for early parliamentary passage of labour laws making it easier for companies to sack workers as part of industrial restructuring.

Government officials tried to reassure foreign investors, who are crucial to Korea's recovery, that Seoul was not facing a de facto sovereign default.

A presidential spokesman said Kim Mahn-je, the chairman of state-run Pohang Iron & Steel, who has just returned from visits to the US, Japan and the European Union as a special envoy to discuss measures to prevent Korea from defaulting, reported

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Korea credit rating cut, Page 3
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Japanese broker fails, Page 10

Who's the red Russian?

A model Santa Claus takes a well-earned festive break in Moscow's GUM department store yesterday. He is still a relative newcomer to Russia, where most people celebrate Christmas in January, but his appearance may just herald the beginnings of a rather more western-style commercial Christmas Picture, AP

Revised figures on growth indicate US economy is slowing

By Nancy Dunne in Washington

Evidence of a slowing of the US economy emerged yesterday as the US commerce department revised downward third-quarter economic growth from a 3.3 per cent annual rate to 3.1 and published figures for manufactured goods orders.

Although orders for durable goods in November jumped to record levels – increasing by 4.8 per cent to $195bn – the gain was the result mainly of the volatile aircraft and defence sectors. Excluding the two, orders fell by 1.2 per cent. Durable goods exports fell for the third time in four months, reflecting the impact of the Asian crisis.

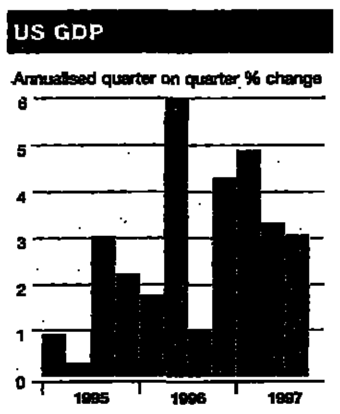
"The economy is likely to slow very sharply in early 1998," said Bruce Steinberg, chief economist at Merrill Lynch, the US investment bank. "Capital goods orders were particularly weak. That may be among the first signs that the Asian crisis is hitting home."

Mr Steinberg said half the capital goods produced in the US – such as machinery – were exported. Spending on these appeared much weaker in the fourth quarter "than it has at any time in the recent past".

The figures might have been expected to have a positive impact on equity and bond markets, as they suggested the economy was not overheating. *But Wall Street apparently con*tinued to suffer jitters about the overnight tumble of South Korea's stock and currency markets. At noon in New York,

US GDP

Annualised quarter on quarter % change



Source: Datastream/ICV

the Dow Jones was down 13.2 at 7,806.11. Commerce department fourth-quarter figures showed orders so far of durable goods up 16 per cent at an annual rate, but down 5 per cent with transportation excluded.

Charles McMillion, of MBG Information Services in Washington, said: "There is deflation in producer and consumer prices already, and, with Asia getting whacked, it could get significantly worse. Fourth-quarter corporate profits will be down and first-quarter profits will see a lot of companies taking hits."

James O'Sullivan of J.P. Morgan, the investment bank, issued a more optimistic assessment, based on after-tax profits during *the third quarter,* which were revised upward from 1.7 per cent to 4.2 per cent. The increase was the result of higher profits from US companies' overseas affiliates.

Italy reduces interest rates

By James Blitz in Rome

The Bank of Italy last night cut short-term interest rates, reducing its official discount rate by 0.75 percentage points to 5.5 per cent.

Within hours of a vote in parliament to pass the government's controversial budget for 1998, Antonio Fazio, the central bank governor, announced the cut – the first in Italy since June.

Senior members of Romano Prodi's centre-left government have expressed anxiety in recent months about the slow pace at which Mr Fazio has reduced rates.

The governor has said in the past that he would be prepared to ease policy once the government's budget had passed all its parliamentary stages. Preliminary inflation figures published earlier this week reinforced signs that price rises in Italy are under control.

The figures suggested that Italian consumer price inflation for December should fall to 1.5 per cent on an annualised basis from 1.6 per cent the previous month.

If confirmed, this would suggest that the final figure for 1997 will be 1.7 per cent, the lowest in Italy since 1968 and lower even than Germany's expected 1.8 per cent.

Italian government officials have voiced concern that, without significant reductions in rates, which are still well above French and German levels, economic growth may be unnecessarily restrained during 1998. Mr Prodi's government has also been pressing for lower rates because this would reduce the level of interest repayments on Italian debt, opening the possibility of a less punitive budget in 1998.

Yesterday's passage of the 1998 budget came after four months of wrangling over measures that introduce fiscal tightening of about L25,000bn ($14.32bn) next year.

In a move that underpinned the government's bid to join the single European currency at the start of 1999, the Senate (upper house) passed the budget by 159 votes to 48.

The lower house passed the budget last week.

The approval of the budget

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The Yea– Zero

The Asian tigers' hired hands begin their assault on Europe's currencies. But their secret trading hideaway is traced... Don't miss the conclusion of Paul Erdman's thriller. Only in Saturday's Weekend FT

Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	7,793.91	(-25.40)
NASDAQ Composite	1,527.67	(-4.39)
Europe and Far East		
CAC40	2,858.13	(-11.60)
DAX	4,121.79	(+78.77)
FTSE 100	5,049.8	(+31.6)
Nikkei	closed	
US LUNCHTIME RATES		
Federal Funds	5.5%	
3-mth Treas Bills: Yld	5.47%	
Long Bond	103⅝	
Yield	5.88%	
OTHER RATES		
UK: 3-mo Interbank	7⅝%	(same)
UK: 10 yr Gilt	107.585	(107.195)
France: 10 yr OAT	102.04	(101.90)
Germany: 10 yr Bund	105.56	(105.48)
Japan: 10 yr JGB	(c)	(108.39)
NORTH SEA OIL (Argus)		
Brent Dated	$17.08	(17.08)

GOLD		
New York: Comex		
Dec	$294.3	(291.1)
London:		
	$293.35	(291.45)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.668	
DM	1.77375	
FFr	5.9344	
SFr	1.43335	
Y	129.87	
London:		
£	1.6705	(1.6635)
DM	1.7793	(1.7804)
FFr	5.9348	(5.9582)
SFr	1.4319	(1.4373)
Y	129.94	(130.38)
Tokyo closed		Y
Sterling		
DM	2.9623	(2.9616)

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FINANCE

EMERGING MARKETS

Schneider guilty of fraud

By Graham Bowley in Frankfurt

Jürgen Schneider, the former German property developer, was sentenced yesterday to six years and nine months in prison after a Frankfurt court convicted him of credit fraud and forgery.

At the end of Germany's biggest post-war corporate fraud trial, the court found Mr Schneider guilty of forging documents to deceive Germany's largest banks into making bigger loans than his development projects justified.

But the court said Mr Schneider, 63, whose property empire collapsed more than three years ago under debts of DM5bn ($2.8bn), would serve only about two more years in prison when the jail term begins after Christmas. He would also be free to spend Christmas with his family.

Mr Schneider, who broke down and cried outside the courtroom after the ruling, has already spent about 32 months in custody. Convicted criminals in Germany are often allowed to go free after serving only two-thirds of their sentences.

The judge, Heinrich Gehrke, also criticised the banks which extended credit to Mr Schneider for their role in the collapse, accusing them of reckless lending for not checking documents properly.

"Schneider was neither a professional fraudster nor a Robin Hood of the property world," the judge said. "The banks knocked down his doors with almost unbelievable recklessness. They didn't check asset valuations, and if there were shortcomings in his loan applications they simply accepted them."

The former property tycoon built an empire of luxury hotels, shopping centres and office projects throughout Germany in the early 1990s after reunification but was caught out in the subsequent economic downturn.

He fled Germany with his wife Claudia in April 1994, just before the huge extent of his property losses became known. They spent a year evading arrest before they were finally tracked down in Miami. The couple fought extradition before returning voluntarily to Germany in February 1996.

The six-month-long trial caught the public imagination and caused intense embarrassment for the country's powerful banks. Mr Schneider was vilified for the huge debts he left behind, which left many small construction companies with unpaid bills.

But some Germans also saw him as a hero for taking on the powerful banks and for his work in redeveloping city centres in eastern Germany after reunification.

Jürgen Schneider (left) after being convicted of fraud Reuters

French Post Office seeks aid

By Andrew Jack in Paris

The French Post Office is seeking substantial additional aid from the government in exchange for a commitment to continue to operate its network of 17,000 branches around the country, many of which are small and costly to run.

The Post Office and the government are due to sign a development plan in March 1998, which will define the constraints within which the organisation operates and lay out its future strategy.

A report from government inspectors last year concluded that the annual cost of maintaining its comprehensive branch network was FFr4bn ($670m), compared with an annual "subsidy" in the form of reduced local rates of just FFr1.3bn.

It is seeking to make up the difference through additional financial support and hopes to receive new aid from the government to make good the subsidy to newspapers and magazines that it provides in the form of discounted postage rates.

Post Office executives are considering the costs of a decision taken last week by the government to block their planned expansion into the sale of non-life insurance products.

As part of an expansion in the sale of financial services, they had been planning to launch household and other insurance policies in conjunction with the French insurer AGF from the start of 1999, and estimated that annual premiums would have reached FFr1bn by 2009.

However, Dominique Strauss-Kahn, economics, finance and industry minister, said last week such policies would be blocked and only some limited "experiments" in personal insurance would be tolerated over the next three years.

A senior Post office executive said this week that the organisation had been informed of the decision only after it had been made public, and he was "surprised and disappointed" to hear the news, especially since the previous plan signed in 1990 permitted the development of non-life insurance products.

He said the Post Office planned to push ahead with its life insurance programme, and would examine the possibility of developing new contracts covering collective and health insurance.

France's commercial insurance companies have protested at the Post Office's encroachment into financial services.

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Turkey attacks Greece's EU veto

By John Barham in Ankara

Turkey's trade minister said yesterday that the European Union should suspend Greece's veto whenever it addressed issues relating to Turkey and its customs union with the EU.

Işin Çelebi, minister of state responsible for trade and customs, said in an interview with the Financial Times that he wanted to deepen the customs union as EU leaders suggested at a summit in Luxembourg two weeks ago.

But he added: "There is always a barrier. The Greek veto is like the Great Wall of China. We may solve the Aegean and Cyprus [conflicts], but the Greeks will never change."

Mr Çelebi has frequently demanded a renegotiation of the customs union treaty that came into effect in 1996 but has not until now explained what he is seeking.

He suggested the EU should start by accepting majority voting on issues relating to Turkey, ending Greece's veto. "If Greece says No and one other country says No, then the answer is No. If 14 countries [vote Yes] and Greece [votes No], then the answer should be Yes."

Mr Çelebi said there would be no point in continuing talks with the EU since Greece would always cast its veto. But he acknowledged that the prime minister, Mesut Yilmaz, and the cabinet had not approved his plan yet. European diplomats said his proposals had no chance of success.

Many EU decisions are decided by qualified majority voting but not those relating to admission of new members and most financial questions. Athens has blocked financial aid promised to Turkey under the customs union agreement and vigorously supported the EU's decision at Luxembourg to deny Turkey equal status with 11 other countries applying to the EU.

In retaliation, Turkey broke off political dialogue with the EU. Mr Yilmaz said he would withdraw Turkey's membership application unless the EU reconsidered its decision by June. Mr Çelebi said Turkey also wanted greater participation in the EU's decision-making processes.

He said enlargement talks with central and eastern European countries plus Cyprus would affect this body of law, which Turkey would be forced to accept. He argued Turkey was like a full member of the EU's single market, but "is not accepted into the decision-making. It is unbelievably unfair."

Despite blaming the customs union for a doubling in Turkey's trade deficit with the EU to $10.85bn last year, he said Turkey would not scrap the accord if it did not get its way.

Chubais looks like a casualty and Nemtsov has seen his authority diminished

Yeltsin illness makes deputies suffer

Since an ailing Boris Yeltsin retired to a sanatorium two weeks ago, western attention has centred once again on the 66-year-old president's health.

Yet the real damage resulting from the Russian leader's illness is political, not physical, and the casualties are two younger, more vigorous men: Anatoly Chubais and Boris Nemtsov.

Mr Yeltsin returned to work at the Kremlin yesterday, but while he regained his health with strolls through the pine forests outside Moscow, the two first deputy prime ministers suffered some of their greatest setbacks since they entered the cabinet last March.

Even reformers within the government predict that Mr Chubais will last no longer than the end of January. Mr Nemtsov's fate is less bleak, but the situation is so serious that he hopes to meet Mr Yeltsin today to plead for the president's open support.

Mr Chubais has been wounded, perhaps fatally, through what has always been both one of his strengths and his Achilles heel: his excellent relations with the west, particularly western financial organisations.

Asked in today's Izvestia whether he wanted to resign, he replied: "For a long time my personal desire has been to leave the government."

His latest defeat began with what seemed to be an important victory. Earlier this month, Mr Chubais made a bold effort to boost tax collection by issuing an order to seize the assets of two refineries – one owned by Mr Chubais's most bitter political rival, Boris Berezovsky – which had accumulated huge tax arrears.

Western economists and international financial organisations saw the move as a reassuring sign that both Mr Chubais and the radical market reforms he had pioneered were back in the saddle. But 10 days later, his opponents used the apparent comeback to launch a renewed attack against him.

Last week, Victor Chernomyrdin, prime minister, overturned his deputy's decision, giving the refinery extra time to pay up. Worse still, from Mr Chubais's point of view, the next day a Russian newspaper published letters from the heads of the International Monetary Fund and the World Bank to Mr Chernomyrdin.

The letters set out the conditions Russia needed to meet – including acting on the tax crackdown initiated by Mr Chubais – before receiving eagerly awaited, multi-million dollar loans.

To a western eye, the letters seemed a routine part of loan negotiations. But in Moscow, the correspondence was interpreted as humiliating proof that Washington was dictating Russia's economic policy.

More damning yet, they were viewed as evidence that Mr Chubais was engaged in secret, back-channel deals with the World Bank and the IMF.

Accusations of pandering to the west are nothing new for Russian reformers. The difference this time is that the condemnatory chorus has been publicly joined by highly placed officials in the Kremlin and the White House, the seat of the Russian cabinet.

Things are not quite so grim for Mr Nemtsov, a former provincial governor who remains one of Russia's most popular politicians. But he, too, has seen a steady erosion of his authority in recent weeks.

First, he was deprived of his portfolio as minister of fuel and energy as part of a cabinet shuffle triggered by a $450,000 book fee scandal which decimated the Chubais team last month. Next, he was ousted last week from the government council he created to oversee Gazprom, Russia's biggest company.

Mr Nemtsov's allies worry that a third blow is in the offing: an attempt to remove the ministry of fuel and energy, now headed by a Nemtsov ally, from the first deputy prime minister's jurisdiction and transfer it to Mr Chernomyrdin's direct control.

Friends and foes alike predict that at today's planned meeting Mr Yeltsin's personal fondness for Mr Nemtsov will help the first deputy prime minister to shore up his position, at least for now.

But even Russian liberals see last week's storm of criticism as a sign that Mr Chubais's days in the cabinet are numbered.

"This is an open signal from the Kremlin that they are getting ready to get rid of him," said Andrei Piontkovsky, director of the Centre for Strategic Studies in Moscow. "I know that Chubais and his people are beginning to look for new jobs."

Some analysts believe the engine driving the renewed attack is the coming sell-off of Rosneft, the largest oil company yet to be privatised. Russia's most powerful magnates are jockeying for the company, and those hostile to Mr Chubais believe the sale is more likely to go in their favour if their enemy is no longer in office.

On Mr Yeltsin's first days back on the job, it is hard to gauge the truth. But one thing is certain: in the byzantine court of Tsar Boris, whenever the president gets the sniffles, some of his princes tend to come down with far more threatening ailments.

Chrystia Freeland

Boris Nemtsov (left) and Anatoly Chubais have suffered great setbacks since last March

Romania's ancient enmities resurface

Frantic efforts are being made to settle an ethnic dispute, **Anatol Lieven** reports

Romania's year-old reformist government likes to boast it has laid to rest ancient hostilities between Romanians and the country's Hungarian minority. But in the light of recent events, such claims look increasingly hollow.

On December 9, the Romanian Senate (upper house of parliament) rejected a personal appeal by President Emil Constantinescu and voted to ban separate university education in minority languages. It also voted that even in Hungarian or other minority-language schools, history and geography lessons must be in Romanian.

The law now has to go to the lower house for debate, and the government is making frantic efforts to broker a compromise. However, party political leaders in the ruling coalition do not control their own followers on this issue.

The Senate vote was made possible by a revolt in the ranks of Mr Constantinescu's own party, the National Peasants, led by the head of the Senate education commission, Gheorghe Pruteanu.

"In areas where Hungarians are the majority, there are many Hungarians who barely speak a word of Romanian, the language of their country," Mr Pruteanu said. "This is an absurd situation. We should be encouraging Romania's Hungarian citizens to learn better Romanian, not helping them to isolate themselves further."

As a result of the Senate vote, the Hungarian minority party, the UDMR, has threatened to quit the ruling coalition, saying the promises which led it to join the government 13 months ago are not being honoured. UDMR leaders say that they still believe in the sincerity of Mr Constantinescu, but that some ministers and National Peasant leaders openly support Mr Pruteanu.

The governments in Hungary and Romania are anxious this dispute should not get out of hand. The Romanians have made improved relations with their neighbours and better treatment of the Hungarian minority key arguments for their being invited to join Nato and the European Union, and Hungary strongly supports this aim.

Rejected for Nato membership at Madrid in July, the Romanians hope to be invited when Nato considers expansion again in 1999.

As Hungarian diplomats have been warning the Romanians, first privately and now increasingly in public, they cannot afford to be seen by the west to resemble Slovakia. Democratic shortcomings and mistreatment of Slovakia's Hungarian minority have led to Slovakia being excluded from the accession processes for both Nato and the EU.

The Hungarian government also has no desire for another dispute such as that between Hungary and Slovakia. One reason for this is precisely the large Hungarian minorities left in Hungarian territories lost to neighbouring states after the first world war. Knowing there is no chance of recovering these territories, the Hungarians now hope the frontiers can be overcome "on the human level" if Hungary and its neighbours are together in the EU and Nato.

A senior Hungarian border guards officer said: "We cannot allow tight eastern borders even after Hungary joins the EU because – if you will forgive a nationalist-sounding phrase – Hungary does not just border on neighbouring states, Hungary borders on Hungary."

Phrases like this sound very nationalist to many Romanians. During the Senate debate on the education law, nationalist and ex-Communist opposition senators warned that the Hungarian areas were planning to secede from Romania, and that Hungarians were practising "ethnic cleansing" in the Transylvanian districts where they are a majority. Senator Pruteanu is not so extreme, but he too warns that these districts are aiming at "a sort of autonomy".

The Socialist-led Hungarian government is not as embarrassed as Mr Constantinescu by the dispute over the education law, because it is at pains to stress that not Hungary but the UDMR represents the Hungarians of Romania. Hungarian officials also appreciate that any protests from Budapest only inflame Romanian chauvinism.

But for internal political reasons, the Hungarian government cannot afford to be seen abroad to be weak in defending the rights of the Hungarians. Hungarian general elections are due next May, and there are close links between more radical Hungarian politicians in Romania and the opposition parties in Hungary itself.

These demand that the Hungarian government insist on strict observance of the promises on minority rights embodied in last year's Hungarian-Romanian treaty. Reluctantly, the Hungarian government may be drawn back towards involvement in an ethnic dispute which it hoped had been put to sleep for a long time to come.

Foreign minister quits

Romania's foreign minister, Adrian Severin, announced his resignation yesterday after an inquiry failed to back his claims that local politicians and journalists had worked as spies for foreign governments, Reuters reports from Bucharest. Mr Severin said he stood by his accusations. His resignation as deputy leader of the Social Democrats, junior partners of the four-party coalition, must be endorsed by Premier Victor Ciorbea.

NEWS DIGEST

Primakov in attack on west

Yevgeny Primakov, Russia's foreign minister, yesterday lashed out at the west, saying it had tried to force Moscow into a humiliating "patron and client" relationship.

"The slogan of a strategic partnership with our former cold war foes was initially proclaimed, but it somehow lost its lustre with time," Mr Primakov said, referring to the strongly pro-western policies Russia adopted immediately after the Soviet Union's collapse.

The foreign minister, who has carefully tried to rebuild Russia's relationships with many of its Soviet-era allies, said the initial focus on the west had been unsuccessful. "Such ties started turning into those between patron and client. Russia has not agreed and will not agree to this."

Mr Primakov's stridency reflects Russia's efforts this year to lessen its political reliance on the west, especially the US. But Russia's generally friendly line was reflected in upbeat new year greetings from Boris Yeltsin, president. The messages included one to President Bill Clinton praising the "effective Russian-American co-operation" of 1997. *Chrystia Freeland, Moscow*

■ UN BUDGET

Lower US dues rejected

The United Nation's chief financial officer, Joseph Connor, yesterday said the General Assembly had approved a reduced two-year budget of $2.53bn and a new scale of contribution assessments.

The 185-member assembly late on Monday rejected US requests to lower its contribution in the next three years from 25 per cent to 20 per cent, unless Washington paid its outstanding dues of $1.3bn. But the assembly did agree to review dues next year.

The European Union complained it had been keeping the UN afloat financially and refused to lower the US assessment. The EU and Japan pay about half the UN budget.

Mr Connor said Kofi Annan, secretary-general, had cut 954 secretariat posts since he took office last January, reducing the staff to about 8,754, but critics in the US Congress are clamouring for more changes.

In the new year 95 member states will pay only about $13,000. In addition, the UN subsidises the travel costs of the poorest member states so that they can be represented. *Laura Silber, New York*

■ ISRAELI BUDGET

Child subsidies climbdown

Yaakov Neeman, Israel's finance minister, yesterday withdrew plans to cut child subsidies after several ministers threatened to vote against the government's scheme to cut expenditure in next year's budget by Shk2.3bn ($651m). The Knesset will vote on the 1998 budget on December 31.

The foreign, labour and trade ministers have said the cuts are too deep and will affect the low paid and disadvantaged. But Mr Neeman believes funding for child allowances and health services requires reform, such as reducing allowances for those with higher incomes and introducing charges for some medicines.

Mr Neeman's decision means the government faces a shortfall of Shk500m and could be forced to raise taxes to bring the 1998 budget down from this year's 2.8 per cent of gross domestic product to 2.4 per cent. It also represents a second climbdown by the finance minister. Earlier this month Mr Neeman was forced to abandon attempts to change the pension system. *Judy Dempsey, Jerusalem*

■ INDONESIAN CENTRAL BANK

Four directors fired

Indonesia's government has announced the sudden replacement of four central bank directors, leaving commercial bankers guessing whether it was serious about reforming the banking system.

President Suharto signed a decree firing four of the 10 managing directors, including Paul Soetopo, who was in charge of international banking and currency trade. Mr Soetopo often spoke for the bank and supervised ties with the International Monetary Fund, World Bank and other lenders who in November offered $38bn in stand-by credits in return for reform pledges.

Two other directors had been in charge of supervising commercial banks and bad debts, departments which have been tarnished by corruption scandals and blamed for letting Indonesia's private banks borrow and lend too much. A fourth banker held the internal audits for the central bank. *Sander Thoenes, Jakarta*

■ BIRD FLU

HK bans China chickens

Hong Kong last night began a temporary ban on chicken imports from the mainland, as the territory's authorities stepped up measures to combat the spread of bird flu.

The influenza has so far claimed three lives and yesterday a third suspected case was added to the list. There are nine confirmed cases of the H5N1 virus, which until May had only inflicted birds.

The latest measure is the boldest so far. Hong Kong was importing around 80,000 chickens a day from the mainland, or 80 per cent of its total consumption, until the bird flu struck. Since numbers catching the disease began to grow earlier this month, chicken has been wiped off many households' menus and the chicken markets have reported a sharp drop in sales.

Yesterday Paul Saw, deputy director of health, said the suspension of chicken imports from China would allow Hong Kong to introduce appropriate controls and checks. Henceforth imported bird shipments would be screened for evidence of the infection. *Louise Lucas, Hong Kong*

■ GERMAN PRICES

Inflation eases further

Inflation has eased further in Germany this month, according to provisional figures from the federal statistics office based on data from four western German states.

The cost of living increased by 0.2 per cent between November and December, when it was 1.7 per cent higher than in December 1996. The comparable year-on-year price rise in November was 1.8 per cent, which also proved to be the average inflation rate for 1997, according to the provisional figures. *Peter Norman, Bonn*

■ IBERIA SELL-OFF

Purchase by BA ruled out

Spain has ruled out selling a controlling stake in the Iberia airline to British Airways and American Airlines, its US partner, according to Pedro Ferreras, an industry ministry official and chairman of Sepi, the state holding company which controls Iberia.

His remarks appeared to be in open contradiction of comments last week by another senior government official.

Mr Ferreras said yesterday it had been made clear to BA and American that they could take stakes of no more than about 5 per cent each, under a privatisation plan linked to commercial agreements between the three airlines.

A firm deal had been due this month but was now expected early next year. He said Iberia would not be allowed to come under foreign control since it was a national flag-carrier. *David White, Madrid*

NEWS: KOREAN DEBT CRISIS

New concessions on foreign investment are expected to encourage international banks to resume lending to Seoul

Reform schedule is price of Korean Christmas rescue

Lim Chang-yuel, the South Korean finance minister, doesn't look much like St Nicholas, but at the stroke of midnight on Christmas Eve he delivered the best present his nation ever received.

Mr Lim's surprise announcement of the early disbursement of $10bn from the International Monetary Fund's $57bn bail-out package brought South Korea back from the brink of declaring a debt moratorium soon.

Seoul had been in danger of defaulting on an estimated $30bn in overseas debt due by the end of January as its foreign currency reserves evaporated. A debt moratorium by one of Asia's largest economies would have unsettled financial markets from Tokyo to New York.

The emergency $10bn rescue package, including $2bn from the IMF and $8bn from Japan, the US and 11 other nations, is expected to cover much of the shortfall in debt payments over the next five weeks. South Korea said it had $8.7bn in reserves as of December 24 and another $5bn coming over the next month in already scheduled disbursements from the IMF-led rescue.

But South Korea must still persuade foreign banks to roll over short-term debts and entice overseas investors back to its battered financial markets if it is avoid the threat of a debt default emerging again early next year. To solve this problem, it has agreed to abolish nearly all restrictions on foreign investments in its closed financial markets and banking sector.

The full opening of the capital markets will pave the way for foreign takeovers of Korean companies and increase foreign competition in the financial sector, heralding the end of the nation's protectionist economy.

The new list of deadlines attached to the emergency funds corrected the main weakness of the initial agreement that the IMF signed with South Korea in early December. The lack of a firm schedule for reforms has been blamed for failing to restore foreign confidence.

The new concessions are expected to persuade foreign banks to resume lending to South Korea. Mr Lim said the IMF and donor governments would advise foreign banks to accept debt rollovers or maturity extensions. IMF officials in Washington confirmed that they expected "significant" support for Korea from international banks. Korean central bank officials said Japanese banks were beginning to renew loans, while six big US banks would meet in New York next week to discuss new financing.

Korea will also send a delegation of officials next month to New York, London and Tokyo to arrange foreign syndicated loans or issuance of a $9bn bond.

The rapid response by Seoul to its latest debt crisis reflects the decisive intervention of Kim Dae-jung, who was elected as president a week ago. Mr Kim, who was a harsh critic of the IMF during his campaign, has suddenly switched to being an apostle of market reforms.

"I will rely on the market mechanisms of supply and demand. I am no longer nationalistic. I welcome all investments whether they come from domestic companies or foreign multinationals," Mr Kim told MPs from his centre-left party this week.

President-elect Kim Dae-jung (left) meets the chief IMF delegate, Hubert Neiss, in Seoul yesterday *Reuters*

Although he will not be inaugurated until February, Mr Kim has already played a crucial role in arranging the IMF emergency funds while the unpopular current president, Kim Young-sam, was ignored by US and IMF officials who travelled to Seoul.

The new president has criticised the conservative finance ministry headed by Mr Lim for "foot-dragging" on promised reforms and ordered him to speed the pace and disclose the exact amount of foreign debt.

"The president-elect has done more in a week than his predecessor achieved in five years," said Park Moo-jong, the political editor of the Korea Times.

The change reflects the influence of several market-oriented advisers, including You Jong-keun, a US-educated provincial governor who is a firm supporter of foreign investment and critic of Korea's state capitalism. Mr You is being tipped as the next finance minister. If he assumes the post, he will supervise the reforms agreed this week.

These include allowing foreign investors to acquire 55 per cent of listed companies from December 30 and 100 per cent by the end of next year. Foreign takeovers will be limited to "friendly" bids. The bond market will also be fully opened by the end of 1998.

South Korea is required to repeal its interest rate ceiling of 40 per cent in two months, which should lead to stabilisation of its currency, the won, and promote increased foreign investments as worries over exchange losses recede. Decisions on how to treat insolvent financial institutions will be made within the next five months, while foreign banks and brokerage houses can establish full operations from March.

Mr Kim has also promised to reform rigid labour laws and permit the sacking of workers in corporate takeovers. The inability to make redundancies has been regarded as a key barriers to foreign takeovers.

Bankruptcy proceedings will be improved and uncompetitive companies will be allowed to die instead of being rescued by the state. Analysts expect a new round of corporate collapses next year if companies prove unwilling to sell assets to cash-rich foreigners, which would raise capital to pay off their huge debts.

John Burton

Strict conditions imposed on bail-out

Patti Waldmeir in Washington describes how international monetary officials reached agreement on the Korea package

The South Korean government was adamant that it wanted to avoid a default or a moratorium on its foreign debt, and agreed to strict conditions on the $10bn emergency funding agreed over Christmas, according to western officials close to the bail-out negotiations.

They said the IMF, the US and other G7 countries had decided to step in on Christmas Eve to staunch the flow of reserves, which was being severely exacerbated by the fact that the Korean Central Bank was making cheap dollar loans to Korean commercial banks to permit them to service their foreign debts.

A key condition of the deal is that the Central Bank must raise the cost at which commercial banks borrow dollars from it, increasing the incentive for the banks to raise dollars independently, perhaps by selling some of their overseas assets.

Western monetary officials were delighted yesterday at the initial positive market reaction to the package, but cautioned that it was too soon to tell whether the new plan would restore confidence.

Speaking on Wednesday, after announcing the new package, Robert Rubin, the US treasury secretary, acknowledged that there was "no guarantee" that the measures would work. The US decision to provide the emergency funds represents a reversal for the treasury, which had insisted that US funds would be used only as a "second line of defence".

By making new funds available now, Mr Rubin is implicitly acknowledging that the US approach to the crisis so far has not worked.

South Korea agreed to several other conditions for the new funds: raising interest rates to attract foreign portfolio investment; broadening the scope of capital account liberalisation; and undertaking significant labour market reforms, including allowing companies to shed labour and enjoy greater wage flexibility. The government also committed itself to institutional reforms of the financial sector, including creating an independent central bank and bank regulatory body, perhaps as early as this week or next.

Western monetary officials said Korea was not on the point of immediate default before the move. "They weren't about to go the next day," said one. Seoul had enough foreign reserves to service obligations through to the end of the year, but this was not sufficient to restore confidence, they said.

The bail-out package was carefully co-ordinated with foreign commercial banks. US officials were in touch with Korea's American commercial bank creditors, but monetary officials insist that any decision by US banks to roll over loans must be "voluntary" in order to be effective.

Monetary officials said they were cautiously encouraged by the new team of government officials in Seoul, saying there were signs that the new administration might have the political will to undertake the reforms needed to deal with the crisis.

The German government said the plan for immediate help had been agreed "harmoniously" with other participating countries following a series of mainly telephone conversations led by Jürgen Stark, state secretary in the Bonn finance ministry. It reflected an assessment of the financial situation in South Korea. The revised credit package had been agreed with Hans Tietmeyer, the Bundesbank president.

In Australia, Peter Costello, federal treasurer, warned yesterday that Australian exporters to Korea would suffer from the country's "very severe" economic downturn. The international package, however, would be of significant benefit for those exporters, he said.

"Australia is making this loan as part of the international effort because it's in our interest to stabilise the situation in Korea ... [The loan] is very much in the interest of Australian exporters and in the interests of the Australian economy," Mr Costello said.

Korea is Australia's second largest export market, after Japan, and last year accounted for nearly 23 per cent of Australia's entire mineral exports to Asia.

Additional reporting by Ralph Atkins in Bonn and Gwen Robinson in Sydney

Congress may add strings to IMF funding

By Nancy Dunne in Washington

The IMF is set to come under intense scrutiny from both sides of the US political spectrum when President Bill Clinton seeks approval for a $3.5bn "arrangements to borrow" fund and a further $14.5bn for the US share of new IMF resources.

Approval will depend largely on whether the IMF agrees to include workers' rights conditions in further country bail-out packages.

The deal to accelerate multilateral assistance to South Korea is likely to heighten Congressional concerns over the need to include workers' rights conditions in future country bail-out packages.

Congressman Bernie Sanders, a Vermont independent, has already begun discussions with Lauch Faircloth, a rightwing Republican senator, to cap the amount the administration can spend without congressional approval. Mr Sanders could be persuaded to vote for the IMF funding, but only if the institution agrees to include workers' rights provisions in its rescue packages.

Bill Gould, an aide to Mr Sanders, said as many as 50 Democrats shared the commitment to workers' rights and could hold the balance of power in a vote. Robert Rubin, the treasury secretary, has written to Mr Sanders to assure him that the treasury was encouraging international financial institutions to adopt policies encouraging borrowers to guarantee labour rights.

The World Bank has produced a policy paper proposing that it integrate considerations of child labour into its programmes. Mr Gould said the institutions should take a stronger line, for example by holding up the next disbursement of loans to Indonesia until Muchtar Pakpahan, the jailed labour leader, was released.

There is little likelihood that Republican conservatives such as Senator Faircloth will ever vote for IMF funding. The Heritage Foundation, a think-tank respected among conservatives, says in a new paper entitled Down the Drain: Why the IMF Bail-out in Asia is Wasteful and Won't Work: "The US should move immediately to withhold additional funding for the IMF. In the longer term, the US should... seek reimbursement for all the money it has contributed."

Jack Kemp, former Republican vice-presidential candidate, has called for the firing of Michel Camdessus, IMF managing director, because his "prescription of a slow-down in growth is outrageous".

However, the IMF package will probably succeed on grounds of national security and the fear by opponents of being held responsible for systemic disaster.

Could Indonesia be next to face debt crisis?

After South Korea, is the spotlight now likely to fall on Indonesia? Its currency has fallen sharply in recent weeks amid worries about the health of President Suharto and the ability of local companies and banks to repay short-term debts.

Yesterday Mar'ie Muhammad, the finance minister, studiously declined to comment on a report by Indosuez W.I. Carr Securities that put Indonesia's foreign debt at $200bn, almost twice the official figure of $117bn.

While the rupiah's steepest falls have come in thin trading, economists such as Neil Saker of Soc-Gen-Crosby in Singapore believe Indonesia has been suffering from serious capital flight. Moreover, in stark contrast to Korea's latest pledges to restructure its economy, Indonesia has made little progress with its $37bn IMF programme agreed in October. "There's still a question mark about Suharto's will to implement these measures," a western diplomat said.

Rather than fulfil promises to cut expenditure, streamline the banking sector and produce more transparency in the use of government funds, Mr Suharto back-tracked. He allowed his son to reopen a bank that had been closed as part of the reforms and let his daughter revive an expensive power project.

There have been widespread rumours in financial markets that Mr Suharto has distanced himself from his finance minister. Mr Mar'ie is widely respected in international financial markets and popular with the broad public for his tough stand on corruption. He is less well liked by the establishment, who have nicknamed him Mr Bean, after the film character, because of his gawky demeanour. "Even in the ministry of finance there is doubt about whether he will still be minister after the presidential election in March," says Umar Juoro, senior economist with a Moslem think-tank.

Two of Mr Suharto's sons, likely to see their business empires curtailed if the IMF package were implemented, have publicly attacked Mr Mar'ie and fellow reformers.

But as market pressures have grown, Mr Suharto has recently resumed signals of a desire to see the IMF programme through, and on Wednesday called for a tight budget on January 6.

"Suharto knows he does not have much choice. He needs the resources of the IMF and the World Bank," says Muhammad Sadli, a former minister. "The budget will give a good indication of the seriousness of the government."

Indonesia is already living from hand to mouth. Short-term debt is equivalent to 180 per cent of reserves, which is much higher than in other south-east Asian countries, adds Ian MacFarlane, regional equity strategist for Paribas Asia Equity in London.

It is uncertain how willing western governments would be to rush in with extra emergency cash if Indonesia did brush with default. Its economy is half Korea's size and its problems have less effect on the world economy. Yet Indonesia is also a country whose political unity is skin deep. Since its many islands straddle vital shipping lanes. Japan and the west could ill afford political chaos that could flow from an economic collapse.

Peter Montagnon and Sander Thoenes

G7 banks start to roll over loans

By George Graham in London and Richard Waters in New York

Commercial banks from Group of Seven countries have started to roll over their loans to South Korean banks as efforts to restore confidence in the battered Asian economy got under way this week.

Officials from six leading US banks were called in to the Federal Reserve Bank in New York on Christmas Eve for talks about South Korea's short-term debt - the first such meeting since the Mexican peso crisis.

The six - BankAmerica, Bankers Trust, Bank of New York, Chase Manhattan, Citicorp and J.P. Morgan - are believed to have the largest amounts at stake in the event of a default, according to a Federal Reserve official. Details of the banks' loans were not released, though Citicorp has revealed that its total exposure to South Korea - including investments in its own operations in the country - stood at $2.3bn at the end of September.

The US banks said in a joint statement: "It is our firm belief that a market-oriented private sector financing initiative offers the best solution to Korea's current liquidity concerns and enhances the prospects of Korea's early return to the capital markets."

In London the chairmen and senior executives from the main UK banks were summoned to the Bank of England on Christmas Eve to discuss the matter. Similar meetings were also called in other G7 countries, as the International Monetary Fund, the World Bank and 13 governments promised to speed up release of cash to South Korea, to help it meet its commitments.

G7 officials were anxious the cash they poured into South Korea should not simply pour out of the back door to repay private sector banks asking their Korean counterparties to repay their interbank deposits.

"This is not an exercise in which G7 central banks and governments bail out the commercial banks," one G7 official insisted.

UK bankers said there had been little resistance to the central banks' suggestion that private sector creditors should roll over any loans which they would in more normal market conditions have expected to renew.

"The general feeling was this was what had to be done and it was in everyone's business to get it done," said one London banker.

Early signs foreign banks would do what their governments asked came as Korea's Chung Ho Bank said yesterday that Lloyds Bank of the UK had tentatively agreed to roll over a $5m loan scheduled to mature on Monday. Housing and Commercial Bank also said Japan's Bank of Tokyo-Mitsubishi had agreed to roll over a Y1bn ($7.7m) one-month loan.

One US banker said a second bank meeting would be held early next week, and the banks had not ruled out extending new credit to South Korea, as well as rolling over existing loans. However, a second bank suggested recent reports of a new $3bn international bank loan were inaccurate, and any new credit was highly unlikely.

Commercial banks also plan to discuss Korea's plight with "other major financial institutions active" in the country, an apparent reference to US mutual funds and other investment institutions that may have bought short-term Korean debt. Large mutual fund holdings of Mexican debt worsened that country's crisis in early 1995, as many foreign investors pulled their money out instead of getting involved in a concerted effort to support the country.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on [illegible] — Final Prices for Trading on [illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.52	23.55	23.90	1.13
0100	53.00	23.55	23.90	1.13
0130	53.00	23.55	23.90	1.13
0200	53.00	23.55	23.90	1.13
0230	19.41	22.90	23.25	1.13
0300	19.41	22.90	23.25	1.13
0330	19.41	22.90	23.25	1.13
0400	19.41	22.90	23.25	1.13
0430	10.49	22.90	23.25	1.13
0500	10.49	12.44	12.44	0.00
0530	18.56	12.44	12.44	0.00
0600	14.39	11.02	11.02	0.00
0630	14.39	18.20	18.54	1.13
0700	14.39	30.23	30.58	1.13
0730	10.50	30.24	30.59	1.13
0800	10.49	30.23	30.58	1.13
0830	13.93	30.24	30.59	1.13
0900	14.39	37.56	37.91	1.13
0930	13.64	37.58	37.92	1.13
1000	23.15	37.57	37.92	1.13
1030	23.15	37.57	37.92	1.13
1100	23.15	59.04	59.40	1.13
1130	21.86	59.04	59.40	1.13
1200	21.86	31.40	31.75	1.13
1230	22.60	37.56	37.92	1.13
1300	22.60	37.56	37.91	1.13
1330	22.60	31.39	31.75	1.13
1400	16.41	31.39	31.75	1.13
1430	17.57	37.56	37.91	1.13
1500	16.41	37.56	37.91	1.13
1530	14.20	31.40	31.75	1.13
1600	16.41	31.52	31.92	1.13
1630	14.39	57.50	60.25	1.13
1700	16.41	73.12	81.16	1.13
1730	16.41	125.69	132.69	1.13
1800	14.39	120.09	128.15	1.13
1830	14.39	64.87	68.85	1.13
1900	14.39	54.49	58.07	1.13
1930	14.39	43.49	44.30	1.13
2000	14.39	42.43	42.89	1.13
2030	14.30	37.59	37.96	1.13
2100	14.39	38.38	38.73	1.13
2130	14.39	31.25	31.60	1.13
2200	14.39	30.04	30.39	1.13
2230	14.39	30.24	30.59	1.13
2300	14.39	22.72	23.07	1.13
2330	14.39	22.72	23.07	1.13
2400	11.95	22.72	23.07	1.13

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.60/MWh becomes 1.660p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 26.12.97 — Final Prices for Trading on 28.11.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	17.20	22.72	22.84	1.07
0100	19.70	22.72	22.84	1.07
0130	19.70	22.72	22.84	1.07
0200	19.70	22.72	22.84	1.07
0230	19.70	22.72	22.84	1.07
0300	19.70	22.72	22.84	1.07
0330	25.92	22.72	22.84	1.07
0400	25.92	20.31	20.43	1.07
0430	19.70	18.20	18.32	1.07
0500	17.20	12.44	12.44	0.00
0530	10.52	12.43	12.43	0.00
0600	10.52	13.32	13.32	0.00
0630	10.52	18.30	18.43	1.07
0700	12.70	30.36	30.49	1.07
0730	10.50	32.06	32.19	1.07
0800	10.49	35.96	36.08	1.07
0830	10.48	32.07	32.20	1.07
0900	10.49	54.11	54.24	1.07
0930	10.50	54.11	54.24	1.07
1000	10.50	54.11	54.24	1.07
1030	10.49	54.10	54.24	1.07
1100	12.70	35.96	36.09	1.07
1130	95.69	35.96	36.09	1.07
1200	95.69	35.96	36.09	1.07
1230	78.21	34.73	34.86	1.07
1300	78.21	34.73	34.86	1.07
1330	22.60	34.73	34.86	1.07
1400	18.68	31.09	31.22	1.07
1430	10.52	31.09	31.22	1.07
1500	18.88	31.09	31.22	1.07
1530	12.70	31.09	31.22	1.07
1600	12.70	31.11	31.24	1.07
1630	15.57	49.15	49.88	1.07
1700	19.27	52.53	54.48	1.07
1730	21.10	65.01	67.25	1.07
1800	21.10	63.69	65.84	1.07
1830	21.10	50.50	51.31	1.07
1900	21.10	48.90	49.21	1.07
1930	19.27	42.22	42.39	1.07
2000	19.27	37.54	37.67	1.07
2030	15.57	35.47	35.59	1.07
2100	25.57	35.47	35.59	1.07
2130	25.57	30.15	30.28	1.07
2200	10.52	25.19	25.31	1.07
2230	10.51	25.19	25.31	1.07
2300	10.52	18.37	18.50	1.07
2330	15.57	18.37	18.50	1.07
2400	10.49	12.43	12.43	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.60/MWh becomes 1.660p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 27.12.97 — Final Prices for Trading on 28.11.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	17.23	18.37	18.72	1.10
0100	17.23	38.17	38.52	1.10
0130	19.20	38.17	38.52	1.10
0200	19.20	38.17	38.52	1.10
0230	19.20	22.65	23.00	1.10
0300	17.75	31.70	32.05	1.10
0330	17.75	31.70	32.05	1.10
0400	17.23	17.58	17.94	1.10
0430	17.00	18.25	18.00	1.10
0500	15.51	12.43	12.43	0.00
0530	12.04	11.03	11.03	0.00
0600	12.04	10.47	10.47	0.00
0630	12.04	14.98	15.33	1.10
0700	12.04	14.98	15.33	1.10
0730	12.04	14.98	15.33	1.10
0800	10.51	14.98	15.33	1.10
0830	10.51	16.51	16.86	1.10
0900	20.76	19.56	18.91	1.10
0930	20.76	21.80	22.15	1.10
1000	22.04	21.80	22.15	1.10
1030	22.04	49.35	49.70	1.10
1100	22.04	49.35	49.70	1.10
1130	21.19	26.58	26.93	1.10
1200	21.19	22.60	22.96	1.10
1230	21.19	22.60	22.96	1.10
1300	21.19	21.80	22.15	1.10
1330	21.19	18.75	19.10	1.10
1400	20.69	18.75	19.10	1.10
1430	20.69	18.75	19.10	1.10
1500	20.69	11.03	11.03	0.00
1530	20.69	11.03	11.03	0.00
1600	19.10	11.03	11.03	0.00
1630	19.10	22.20	22.55	1.10
1700	20.80	25.97	26.32	1.10
1730	20.80	35.08	35.43	1.10
1800	25.30	35.08	35.43	1.10
1830	25.30	35.08	35.43	1.10
1900	20.80	38.25	38.60	1.10
1930	20.80	23.02	23.37	1.10
2000	26.18	22.20	22.55	1.10
2030	26.18	20.76	21.11	1.10
2100	20.80	18.19	18.54	1.10
2130	18.01	16.51	16.86	1.10
2200	10.53	16.49	16.84	1.10
2230	10.52	16.51	16.86	1.10
2300	10.50	14.61	14.96	1.10
2330	10.50	14.61	14.96	1.10
2400	10.50	11.02	11.02	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.60/MWh becomes 1.660p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also [illegible]

Japan's top banks offer cautious help

By Gillian Tett in Tokyo

Japan's 10 leading banks said yesterday they would seriously consider measures to help South Korea overcome its financial crisis, but hinted that their willingness to extend new loans or to roll over maturing short-term credits would depend on action by banks in the US and Europe.

The banks, which are thought to account for at least a quarter of Korea's total $110bn short-term debt, acknowledged the importance to world financial stability of resolving Korea's problems but stressed the need for any measures to be based on market principles.

Yesterday's statement followed urgent discussions with government officials, after the Japanese government and South Korean central bank called on them to provide new support.

Analysts said the banks' reply, which was blander than expected, indicates some institutions are continuing to resist any form of blanket roll-over of debt and are concerned that Japanese banks should not extend the maturity of their credits while those from other banks are repaid.

Japanese officials have also suggested that Japanese banks could put together a package. Some banks are understood to favour the scheme and most are also understood to have maintained their lending levels. However, executives pointed out that growing pressure on capital was prompting Japanese banks to trim their assets and many would be reluctant to expose themselves to new financial risk.

Japanese banks are believed to account for a large portion of South Korea's short-term loans at present. At the end of 1996, they accounted for $24.3bn of the total lending to the country, or about a quarter of the total, according to data from the Bank for International Settlements.

Several said that they would need more guarantees from the Korean government or IMF before extending new loans. Without such guarantees they would also only be willing to roll over maturing credit on a case-by-case basis. "We have not yet decided what to do with existing loans, but many banks are uneasy about extending more at present," said a senior executive.

Another official said: "Unless we have some guarantees, I think any roll-over of loans would be on a case-by-case basis."

Lee Kyong-shik, the governor of Korea's central bank, visited Tokyo earlier this week, and called on the Japanese banks to provide support. Eisuke Sakakibara, vice-minister of finance for international affairs, also visited a number of the largest banks and urged them to maintain their lending.

The move highlights the degree of concern now felt in Tokyo about the apparent failure of the earlier offers of IMF support to stave off the loss of confidence in Korea.

The 10 banks are Bank of Tokyo-Mitsubishi, Dai-Ichi Kangyo, Fuji, Industrial Bank of Japan, Long-Term Credit Bank, Norinchukin, Sakura, Sanwa, Sumitomo and Tokai.

NEWS: THE AMERICAS

São Paulo mayor guilty of fraud

By Jonathan Wheatley in São Paulo

Celso Pitta, mayor of São Paulo, has been convicted by a state judge of involvement in a multi-million dollar bond fraud and sentenced to loss of office, suspension of political rights for eight years and, with 16 other defendants, told to pay fines and reimbursements totalling R$32.1m (US$27.99m).

However, the sentence is suspended pending appeal and is unlikely to be enforced before Mr Pitta's mandate expires in 2000.

Mr Pitta, whose assets have been frozen since June pending the outcome of the case, was named by a Senate inquiry earlier this year as a central figure in a financial scandal involving allegedly fraudulent bond issues by several Brazilian state and city governments.

The governments were accused of illegally issuing bonds, which they may do only to cover court-ordered payments, and using the money raised for administrative and campaign expenses and to pay millions of dollars to a network of banks and brokerages employed to orchestrate the scheme.

At the time Mr Pitta was finance secretary of São Paulo under the administration of Paulo Maluf, a former state governor and possible candidate in next October's presidential elections. He was sentenced with his former director of public debt, Wagner Ramos, and 15 banks and brokerages closed down by the central bank when the scandal first came to light in February.

The state judge, Pedro Aurélio Pires Maringolo, said Mr Pitta had played a deliberate role in the operation and his conduct revealed "a lack of the personal probity required for the exercise of any public office". Mr Pitta's office said he would appeal against the ruling once it was published in January after a judicial end of year recess. The appeal is likely to go as far as the Supreme Court and take at least three years.

No other leading figures in the scandal have been brought to trial. The former governor of Alagoas state, Divaldo Suruagy, stepped down temporarily in July and was removed from office in October. The state assemblies of Santa Catarina and Pernambuco voted not to impeach their governors, Paulo Vieira and Miguel Arraes. All were strongly criticised by the inquiry.

Week-long celebration of African culture offers antidote to Christmas

Black America gets Kwanzaa spirit

On December 26, as much of the world recovers from the climax of Christmas, Alexis and Arthur Williams of Detroit and the Barnes family in Chicago will light candles in honour of a week-long festivity they consider far more important: Kwanzaa.

Kwanzaa, a black American holiday that celebrates African culture, was invented by a black intellectual, Dr Maulana Karenga, in 1966. It has come into its own in the multicultural-oriented '90s.

The Greeting Card Association says about 18m Americans now observe Kwanzaa, up from 5m five years ago. Even President Bill Clinton sends out Kwanzaa greetings.

The holiday has grabbed the attention of US retailers, which are beginning to display Kwanzaa products alongside paraphernalia for Christmas and the Jewish festival of Hanukkah.

Family affair: The Barnes clan of Chicago gather to celebrate the Kwanzaa festival's last night — Lawrence Migdale

Hallmark, the greeting card company, puts out a line of Kwanzaa cards and the US Post Office issued its first Kwanzaa stamp this year. All told, Kwanzaa generates about $650m in annual revenues, according to Michael Bernacchi, professor of marketing at the University of Detroit. "It's the country's fastest growing holiday," he says.

There are challenges in popularising a festival that has been in existence such a short time. The immediate difficulty is that most people do not know what they are supposed to do during Kwanzaa's seven-day celebration.

Some opt for a watered-down version. "I think we'll just have a party and talk about what it means to be African-American," says Gilbert Washington of South Bend, Indiana.

Those wanting a more traditional celebration have no lack of help. Booksellers are doing a booming business in "how to" volumes on the subject. Amazon, the online bookseller, lists 87 titles on Kwanzaa, including recipe books and instructions on how to run the final day's dedication. Afroworld, an ethnic retailer, sells for $99.95 (discounted from the original price of $149.95) a Kwanzaa "kit", complete with candle-holder, mat and goblet for the final feast.

The rapidly rising visibility of Kwanzaa might be expected to please the holiday's most ardent followers. Yet many feel uncomfortable with the increasing commercialism of the celebration, which was conceived as an anti-materialistic antidote to Christmas.

Kwanzaa, strictly observed, is a cerebral, ritualistic holiday for ascetics. Participants dedicate each day of the celebration to pondering one of seven "principles", concepts such as co-operative economics, unity and self-determination. While gift-giving was always part of Kwanzaa, presents are meant to be home-made.

Stores' "money-back guarantees" and exhortations not to "wait until next year" to buy Kwanzaa items sit awkwardly with the holiday's early meaning. Some buyers incorporate Kwanzaa themes into Christmas. Ornament maker Silvestri puts out Kwanzaa tree trimmings, and discount stores stock paper plates and napkin sets with African themes.

"I don't like the increasing commercialism of Kwanzaa," says Alexis Williams. "It's not the way it's supposed to be." Yet Ms Williams concedes that, without the attention now lavished on Kwanzaa by retail chains, she may not have paid much attention to the holiday, which she began to observe three years ago.

Since Kwanzaa reflects on African-American history, including slavery, it is unclear what the involvement of non-black Americans, or even blacks from other cultures, should be. In Boston a few years ago, several whites were turned away from a community Kwanzaa gathering. While the organisers later apologised, the event added to racial tensions.

The International Black Buyers and Manufacturers Conference, a trade association, has warned non-black business people away from Kwanzaa altogether, and exhorted participants in the holiday to purchase only black-made items from black-owned retailers. Kwanzaa is, says the group, the "intellectual property" of the African community.

Kwanzaa has prompted much confusion and controversy during its rapid rise in popularity. Yet many observing the holiday say their doubts disappear when they light the seventh candle and gather with loved ones for a Kwanzaa feast on January 1.

"It's a beautiful celebration," says Ms Williams. "Something we, as black Americans, can really be proud of."

Victoria Griffith

Reluctant Frei names designated senators

President Eduardo Frei of Chile yesterday complied with the constitution and named two "designated" senators, saying the move was "against my personal feelings and convictions and those of my government", writes Imogen Mark in Santiago.

The senators are Edgardo Boeninger, a former Christian Democrat minister, and Augusto Parra, a former university rector and member of the small Radical party.

An hour earlier, the national security council nominated its four "designated" senators. With the three nominated last week by the Supreme Court, the nine non-elected members will take their seats in March for eight years.

General Augusto Pinochet has also been named an institutional senator.

US board postpones new derivative rules

FASB has switched date for accounting standard from December 1998 to June 1999

By Jim Kelly, Accountancy Correspondent

The US Financial Accounting Standards Board (FASB) has postponed the publication of controversial new rules which are expected to require companies to show derivatives at market value on their balance sheets and pass any gains and losses through earnings.

The regulator said the effective date for its new standard on derivatives and hedging would be June 15, 1999 – not December 15, 1998. Most companies with calendar year-ends will be affected after January 1, 2000.

"The board is encouraging companies that want to adopt the standard earlier to do so in any fiscal quarter after the standard is published," the board said. It expects to publish the standard in March next year.

The board's proposals have come under attack from Alan Greenspan, chairman of the Federal Reserve, while banks have lobbied Congress to stop the board from requiring derivatives to be marked to market. Crucially however, the FASB has received the backing of the Securities and Exchange Commission.

Accounting experts at the FASB insisted that the postponement simply reflected the complexity of the issues involved and did not signal any fundamental changes to the plans. Nor did it allow a further year for lobbying.

"We will publish the standard in March and that will be it. The postponement simply reflects the fact that we always want companies to have a year to implement complex standards. We just did not finish our work on clarifying some issues by the original deadline," one said.

The International Accounting Standards Board is watching the standard's progress closely and is likely to take up many of the principles in framing its own standard on financial instruments for presentation to world stock market regulators in 1998.

NEWS: INTERNATIONAL

Gulf states begin to open bank market

By Roula Khalaf

The decision this week by the Gulf Co-operation Council to allow national banks to set up branches in each other's countries is a first step towards banking liberalisation. It could also help efforts by banks to expand.

The move could open up the large Saudi and Kuwaiti banking markets to other Gulf banks. The Saudi banking sector, with $78bn in assets, is the biggest in the Arab world, but foreign banks are only allowed to operate as joint ventures with local banks.

"The big banks are as big as they can be in local markets and they need to expand more aggressively abroad," said Tony Wynne, an analyst at Limassol-based Capital Intelligence.

After over-expanding during the oil boom, several banks by the late 1980s were laden with bad debts. "We are only 10 years on and the banks are now trying to find a role for themselves in economies which are still closed," said an analyst. "Their biggest problem today is that they are not big enough."

At a recent financial conference in Beirut, bankers discussed plans to create a new private sector Arab institution with $500m in capital to finance trade and investment in the region.

Huge projects, for private sector development, are planned. They include big gas developments in Oman and Qatar, petrochemicals expansion in Saudi Arabia, aluminium production in Bahrain, and new or expanded industrial zones in the United Arab Emirates. Infrastructure requirements alone are estimated at $65bn-$165bn over the next decade for the Middle East and North Africa region.

"The first stage of Saudi industrialisation was entirely financed by the state," said Andrew Cunningham, analyst at Moody's, giving one example. "Now we are seeing a second stage and it is being financed by the private sector. Banks are expected to play their parts in this."

Allowing banks to set up branches across GCC countries is likely to put pressure on small banks, accelerating mergers. Arab bankers say many countries have too many small, poorly capitalised banks, which will face difficulties as domestic markets become more open to foreign competition and governments sign up to global free trade agreements. Half the assets in the Arab banking sector are held by 20 per cent of the 300 banks.

Merger activity seems to have picked up in Oman, after consolidation was encouraged by the central bank. The first bank merger in Saudi Arabia was announced in September. It was the work of Prince al-Waleed bin Talal, the international investor and nephew of Saudi Arabia's King Fahd. The United Saudi Commercial Bank, controlled by the prince, merged with Saudi Cairo bank, creating the kingdom's third biggest bank.

Elsewhere in the Arab world the merger trend has gathered pace. Lebanon's overbanked market saw this month the merger of Byblos Bank with Bank Beyrouth pour le Commerce, making the new institution the fourth largest in the country.

Maronite leader preaches reconciliation

If Christians and Moslems cannot co-exist in Lebanon, then the world is in deep trouble, says the Patriarch. **David Gardner** reports

The Maronite Patriarchate at Dimane, high in the cedared fastness of northern Mount Lebanon, is so eerily still a place that the clocks on the belltower have stopped. But time has not stood still for the Maronite Christians, the paramount force in multi-faith Lebanon until the 1975-90 civil war.

The Maronites were the main losers from that carnage, which they started in order to preserve their dominance over Shia and Sunni Moslems. The war ended with Israel occupying a swathe of the south, and with Syria – from which Mount Lebanon was carved out as a Maronite sanctuary by the old French colonial authorities – in political and military control of the rest.

Patriarch Sfeir, left, rides on the Popemobile during the Pope's visit to Beirut in May — AP

Survivors among the traditional Maronite leadership, feudal and ruthless, are in exile in Paris, while big slices of the Maronite middle classes are dispersed around the world.

Leadership of the community, still the biggest concentration of Christians in the Middle East although dwindling yearly through emigration, has fallen on to the shoulders of Cardinal Nasrallah Sfeir, the Maronite Patriarch.

A slight, silken-bearded man with animated eyes, Cardinal Sfeir has had the difficult task of trying to fill the Maronite leadership vacuum. But at the same time he articulates a far wider resentment towards Syrian hegemony, which a Lebanese government beholden to Damascus tolerates in no temporal leader.

This May, he and his community received the boost of a successful visit to Lebanon by Pope John Paul II, which brought half a million Lebanese into the streets, mostly Christians but with many Moslems among them.

"His visit has shown that the Christians are still here, in spite of fears that we are diminishing," Cardinal Sfeir said. "The Holy Father has given courage to all the Lebanese, but especially to the Christians."

Moving with suppleness between politics and theology, the Patriarch explained that the future of Christians in the Middle East – their numbers sharply down in virtually all countries with the partial exceptions of Syria and Egypt – is intimately linked to the position of Christians in Lebanon.

The Pope called for reconciliation between Christian and Moslem, for the Vatican-allied Maronites to resist the lure of emigration, and for the restoration of Lebanese sovereignty. While much of the euphoria surrounding the Pope's visit has evaporated, the Patriarch remains hopeful.

"We cannot but be hopeful because this is our country. We have a role to play, which is to be a witness to Christian values in a country which is not fully Christian."

He believes the Lebanon has a future as a multi-confessional country but only if foreign troops – Syrian as well as Israeli – pull out. "People say that if Syria withdraws, Lebanon will fall back into war. This is simply not true. We have been here since the dawn of Christianity and they [the Moslems] have been here since the coming of Islam."

Israel, which this year suffered heavy losses from the Shi'ite Islamist guerrillas of Hizbollah fighting to evict them from the south, is currently wracked by debate about whether to end the occupation. But each time this happens Damascus and Beirut tighten the screw on internal, particularly Maronite, dissent, which both governments fear would then concentrate its attention on Syria's 35,000 troops deployed in Lebanon.

The Syrians, the Patriarch complains, "have been able to say that it is not reasonable for the friend to withdraw while the enemy stays here."

In the early stages of the civil war, it was in fact Syria which waded in to prevent the Maronite militias being overwhelmed by the predominantly Moslem left and the Palestine Liberation Organisation. It was the subsequent alliance of Maronite warlords with Israel, which poured its troops into Lebanon in 1982, which eventually did most to undermine the community.

But all this, Cardinal Sfeir believes, should be relegated to the past to make way for a future of inter-confessional movements based on equal political rights. Odd as it may seem, the only other Lebanese figure of stature who talks in these terms is Sheikh Mohammed Hussein Nasrallah, the spiritual leader of Hizbollah demonised in the west.

"We have had no occasion to meet," the Patriarch smiles, "but yes, we have similar ideas about Lebanon's future". Islamist fundamentalism, he says, "derives from a lack of political and social justice". All Lebanon's Christians must "bear witness" to this, "because if Christians and Moslems cannot co-exist here, then the world is in deep trouble".

Lebanon, in this view, is once again a sort of regional laboratory, testing the limits of religious co-existence – and the future of Christians throughout the Middle East. The Maronite Patriarch clearly feels a great deal hangs on the outcome, and that Christians worldwide have a stake in it.

"Is it in the interests of Christians throughout the world that this land, where Christ was born and lived, should be without Christians?" Cardinal Sfeir asks. "The Pope said that the presence of Christians in the Middle East is conditioned by the presence of Christians in Lebanon. The day the Christians leave Lebanon there will be no Christians left in the Middle East".

Editorial Comment, Page 9

Somali factions sign pact to end civil war

By Mark Huband in Cairo

Somalia's armed factions have signed a peace accord intended to pave the way for the creation of national institutions after six years of civil war which have left the country a lawless patchwork of fiefdoms.

Twenty-six of Somalia's 28 factions signed the Cairo Declaration in the Egyptian capital on Monday after seven weeks of negotiations.

Success of the deal will depend on the successful outcome of a national reconciliation conference, to be held in the Somali town of Baidoa on February 15. The conference is intended to appoint a 13-member presidential council, a prime minister and a 189-member Council of Deputies to act as a parliament.

The prime minister will form a transitional government charged with preparing elections in 2001, although that could be extended until 2003. The presidential council will draw three members from each of Somalia's four largest tribes and one from a minority tribe. Armed militias are to stay in camps, and to bolster the new central authority an independent judicial structure will be created.

The Cairo deal is the latest of many attempts at finding a negotiated solution to a conflict which killed 350,000 people through famine and as many as 50,000 from inter-clan fighting since 1991.

But the new agreement improves on the failed agreements of the past by including Hussein Aideed and Ali Mahdi Mohamed, leaders of the two main factions dominant in the capital Mogadishu, as well as Mohamed Egal, the leader of independent Somaliland.

Two important absentees from the deal were Aden Abdullai Nur and Abdullai Youssef Mohamed, both leaders of factions drawing their support from the Darod clan. The Darod's eventual inclusion in any deal is regarded as essential to its success.

Egypt's successful mediation marks an about-turn in the strategy of the faction led by Hussein Aideed, which had been antagonistic to Egypt because of its past ties with the former Somali leader, Mohamed Siad Barre, who was overthrown in 1991.

Suspicion of Egypt among Aideed supporters intensified when the United Nations launched attempts to capture Gen Aideed in 1993, a strategy formulated by Boutros Boutros Ghali, the former UN secretary general and a former Egyptian foreign minister.

NEWS: UK

'Manufacturing industry is already being squeezed by the strong pound'

Unions warn of company closures

Robert Taylor, Employment Editor

The strong pound and high interest rates could cause widespread redundancies and company closures in manufacturing industry next year, John Monks, the Trades Union Congress general secretary, warned yesterday.

"It is the future of the British economy much more than the future of the welfare state that must concern us next year," Mr Monks said in an end-of-year interview with the Financial Times.

"Manufacturing is already being squeezed by the strong pound and we could face large-scale job losses in the new year," Mr Monks said.

"There is a growing concern in industry about this among employers and union officials I meet on journeys round the country, particularly in engineering and textiles."

Mr Monks said he hoped for a "soft landing" for the economy in 1998 rather than a dramatic downturn. However, he asked: "Can we sustain reasonable economic expansion or are we going to have rising unemployment? It is an open question."

He said he was unsure whether Gordon Brown, the chancellor of the exchequer, would be able to achieve his objective of steady growth.

Mr Monks' comments reflect growing anxiety about the economy which is clouding the TUC's outlook for next year. The TUC is also convinced the government should have joined the European Union's economic and monetary union at the first opportunity.

"Staying out is going to diminish our influence in Europe," he said. "We are already seeing the difficulties of staying outside the developments towards the Euro in the government's struggle to be the leader in EU developments."

Mr Monks forecast that this exclusion would probably grow more acute during 1998. "The decision not to join Emu from the start may look sensible from a domestic viewpoint but it does not seem like that from Brussels," he said.

He warned it would not be possible to adopt the euro at the pound's current high exchange rate, and pointed to the competitive advantage over sterling achieved by the French franc and German mark in recent months..

Mr Monks said next year would be "the most important for the trade unions since the 1970s" because it promised to herald a restoration of worker power.

"By the spring we will have 10 separate pieces of government legislation going through the parliamentary process which are pro-worker," he claimed. "Many union leaders still don't seem to realise just how much this government is promising to implement."

Employers might see the union agenda as a return to trade union power. However, Mr Monks said it was concerned with "fairness at work" and restoring balance in industrial relations.

BSE probe to cover usage of research

By Alison Maitland

Official responses to scientific findings on BSE, or "mad cow disease", are likely to be at the heart of the year-long inquiry announced by the government this week.

The inquiry, which begins next month, will be headed by Lord Justice Phillips, a senior judge, supported by two experts in science and public administration.

Professor Sir Hugh Pennington, who led the investigation into the fatal e.coli food poisoning outbreak in Scotland last year, said the inquiry must ask whether government scientific advisers were influenced by officials and politicians.

"I'd like to know more about the pace of research on BSE itself," he said. "Was it prosecuted with as much vigour as it should have been and, if not, why not? These were expensive experiments. What were the policy considerations?"

He said some findings were not published fast enough – including data about the link announced in March 1996 between BSE and its new variant, CJD, the fatal human brain disease.

Stephen Dealler, a consultant microbiologist and fierce critic of government handling of BSE, said scientific advisers knew the disease had "jumped" the species barrier into pets – at the same time the government was denying any danger to humans on the grounds that, unlike cows, humans are carnivores.

He said evidence would not be given under oath. "Scientists working for Maff [the agriculture ministry] feel they must be under oath, otherwise they'll be expected to dodge questions on behalf of Maff," he said.

There are also fears the inquiry, lacking powers to subpoena witnesses or documents, will be unable to find the truth. The government said a non-statutory inquiry would be faster. "A statutory inquiry can take several years," said an official.

However, the government expects retired and serving public officials to give evidence. The understanding is this includes former ministers such as Douglas Hogg, whose reputation was left in tatters by the crisis.

Tackling BSE: Douglas Hogg (left) and his Labour successor Jack Cunningham

The terms of reference of the inquiry stop at March 20, 1996, when the crisis over the probable link between BSE and CJD erupted. Because it was elected only in May 1997, the Labour government will not become involved, and the Conservatives fear the inquiry will be used to find political scapegoats.

However, the agriculture ministry said: "The real issue is not the new measures taken since the link was announced but how BSE arose in the first place and whether the possible risks to human health were taken seriously enough."

Jack Cunningham, the agriculture minister, said the main purpose of the inquiry was "to establish facts and the respective roles of a range of commercial players and public authorities, not to lay blame at the feet of individuals."

The inquiry is likely to cover a 20-year period from the late 1970s. Prof Pennington said it should look at whether changes in rendering processes in the late 1970s and early 1980s played a part in creating the epidemic. Lower temperatures were introduced and the use of chemical solvents was phased out.

Contaminated feed made from the remains of diseased cattle and sheep is still seen as the most likely route by which BSE spread.

● Farmers yesterday threatened more public demonstrations in the New Year to back claims for greater compensation after Monday's £85m aid package fell short of their demands.

They won some comfort from leading supermarket chains which promised to start labelling beef according to country of origin from next month following farmers' protests against cheap imports.

Wage and share-price link challenged

By James Mackintosh

Differences in the levels of staff and executive wages have little impact on the ability of big companies to increase shareholder value, according to research into the FTSE 100 salaries and share price changes published yesterday.

The research by Datastream/ICV, the data provider, shows that Nycomed Amersham, the healthcare group that was this year's top-performing FTSE 100 company, paid staff 50 per cent more than the FTSE 100 average, but paid its top earner £390,000 less than the average of £970,000 ($1.6bn). Worst performer was BTR, the industrial group, with a share price fall of 36 per cent. Compared with other FTSE 100 companies, BTR underpaid its staff and chief executive.

The figures suggest the public outcry over high pay for executives may be having an effect. The average pay of the top earner in each company rose by the same proportion – 30 per cent – as for ordinary staff pay between 1993 and this year.

The average for all FTSE 100 company employees rose to £20,300 from £15,800, well above inflation, while top earners' average pay rose from £750,000 to £970,000.

Analysts warned, however, against taking the figures too literally. "In general pay is very, very important" in assessing the profitability and efficiency of companies, said Kevin Darlington, head of strategy and economics at ABN Amro.

Across the index the companies have nothing in common apart from size – reflected in a wide variation in pay for chief executives and staff. There is a clear inverse correlation between share price increases and pay within some industry sectors, however.

Among FTSE-listed supermarket groups, Asda was the investor's favourite, with shares up 45 per cent. It paid staff less (£6,800 on average) than any top-100 company. Tesco was next with a 37 per cent gain and average pay of £7,900, followed by J Sainsbury and Safeway, both paying more and under-performing.

Digital TV likely to require satellite orbit shift

By John Gapper, Media Editor

A satellite may have to be moved into a different orbit to allow British Sky Broadcasting to launch its proposed 200-channel digital television service on schedule early in 1998. BSkyB is the pay-TV company in which Rupert Murdoch's media empire has the biggest stake.

The Société Européenne des Satellites, which operates the Astra satellites that broadcast for several big European pay-TV companies, may move an existing satellite to make up for a delay to the launch of a new one.

The launch of Astra 2A, intended to carry the BSkyB service, has been delayed until the end of March because of difficulties at its Russian rocket site. The satellite was intended for launch this month.

However, BSkyB's contract with SES, which provides services for satellite broadcasters including Canal Plus in France and KirchGroup in Germany, requires the organisation to provide a back-up if Astra 2A is delayed.

SES is to consider at a board meeting next month moving another satellite – one of seven orbiting at 19 degrees east – to the new position. This position – 28 degrees – has been set aside for the Astra 2 series of satellites.

The moving of the Astra 1D satellite using on-board rockets would allow BSkyB to test its digital broadcasting facilities fully before the launch, expected in May. Astra 2A should now be ready for service by the end of April.

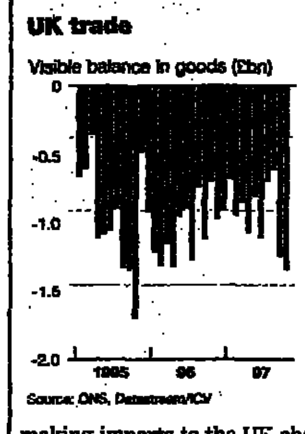
SES gained the capacity to move the Astra 1D satellite from the successful launch of its seventh satellite – Astra 1G – on December 3. This would allow it to switch other channels off 1D prior to moving its orbit.

BSkyB executives believe 1G's launch means it can guarantee the satellite capacity to launch on time. The group would have faced severe difficulties with a spring launch if Astra 1G and 2A had both been delayed further.

Alison Black, managing director of Astra Marketing for the UK, said no decision had been made to move any satellite. However, the group was likely to comply with BSkyB's requirements for testing its service. BSkyB is using 14 satellite transmitters to launch a digital service in the UK.

UK NEWS DIGEST

Imports rise as exports slide



The UK's trade balance has tipped heavily into deficit as the strength of sterling has finally taken its toll on the manufacturing export sector. Official figures showed the underlying volume of goods imported into the UK reached a record level in October while export volumes declined. Economists said yesterday's deficit was the first definitive sign that exports were cracking beneath the strong pound. Sterling has appreciated since mid 1996 by about 20 per cent against other currencies, making imports to the UK cheaper and UK exports more expensive. The Office for National Statistics (ONS) said the UK's global trade deficit in goods widened to £1.35bn in October, the highest for two years. The shortfall was larger than September's deficit of £1.25bn. The deficit in goods with countries outside the European Union rose to £1.1bn in November for the first time since October 1995. The previous month's deficit had been £858m.

The ONS said the trend was for the deficit to worsen. Provisional estimates of trade volumes outside the EU show exports down by 3 per cent in November and imports continuing to reach record levels. *Richard Adams*

■ BRITISH COUNCIL

New chairman is sought

The hunt is on for a new chairman of the British Council to oversee what has become a key part of the Labour government's promotion of a more modern image for Britain and of improved human rights abroad.

The British Council is to start advertising early in the New Year for someone to succeed Sir Martin Jacomb, the chairman of the Prudential insurance group, who retires next July after six years as part-time council chairman, the cultural arm of British diplomacy. "We are at the centre of the new drive to 'rebrand' Britain, to represent its science, engineering, design and creative arts to foreigners instead of just Beefeaters and stately homes," Sir Martin said yesterday. *David Buchan*

■ LLOYD'S

Broker fined for misconduct

A broker at the Lloyd's insurance market has been fined £10,000 ($16,500), censured and suspended for six months after admitting five charges of misconduct involving conducting business in a discreditable manner. Anthony Frost, who was chairman of Nelson Hurst Marine, a Lloyd's broker, will also have to pay costs of £40,000.

It was alleged that the company took a secret profit in respect of an account for which Frost was responsible. The client – the Panama Canal Commission – later discovered that a secret profit had been taken. The money was returned in 1996, in full plus interest, and amounted to around $181,660. *Jim Kelly*

■ PRIVATISED RAIL FRANCHISES

Virgin seeks high-speed deal

Virgin Rail wants official permission to run a high-speed train service between London and Manchester in northern England for a further 15 years after its current 15-year West Coast Main Line franchise between London and Scotland expires in 2012, it emerged yesterday. The company said it needed the extension to 2027 to cover the cost of the £500m investment it is to make in 55 tilting trains which it plans to introduce on routes between London and Scotland.

Virgin is not seeking a formal extension to its franchise, which would be very unlikely to be granted, but it wants approval to operate London-Manchester on an "open access" basis, which would mean it could still run services if another company won the franchise. "We have to make a major investment in Britain's railways and we have to have something back," Will Whitehorn, director of Virgin Rail, said. *Charles Batchelor*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 24.12.97: Pool purchase price £/MWh	Final Prices for trading on 25.11.97: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.51	22.08	22.56	1.17
0100	42.33	35.11	35.59	1.17
0130	76.88	72.62	73.10	1.17
0200	76.88	72.62	73.10	1.17
0230	22.84	24.50	24.98	1.17
0300	96.07	22.08	22.56	1.17
0330	96.07	22.08	22.56	1.17
0400	96.07	22.08	22.56	1.17
0430	96.07	22.08	22.56	1.17
0500	22.66	22.08	22.56	1.17
0530	10.52	12.44	12.44	0.00
0600	10.50	12.96	12.96	0.00
0630	10.52	18.99	19.47	1.17
0700	24.56	30.57	31.05	1.17
0730	24.42	30.40	30.88	1.17
0800	24.42	31.65	32.13	1.17
0830	24.42	35.35	35.83	1.17
0900	24.42	35.36	35.85	1.17
0930	20.76	35.38	35.88	1.17
1000	38.89	69.87	70.37	1.17
1030	71.17	69.87	70.38	1.17
1100	71.17	69.87	70.37	1.17
1130	38.89	69.87	70.38	1.17
1200	25.14	39.61	40.11	1.17
1230	19.29	39.60	40.09	1.17
1300	19.28	35.38	35.87	1.17
1330	19.29	34.07	34.56	1.17
1400	19.29	34.07	34.56	1.17
1430	12.51	34.07	34.56	1.17
1500	12.51	34.07	34.56	1.17
1530	12.51	34.11	34.62	1.17
1600	12.51	35.51	36.54	1.17
1630	23.29	69.42	75.15	1.17
1700	20.17	97.95	108.15	1.17
1730	47.32	104.43	114.94	1.17
1800	47.32	91.53	99.68	1.17
1830	47.32	63.21	66.65	1.17
1900	27.81	51.84	53.16	1.17
1930	23.29	44.79	45.54	1.17
2000	29.41	37.50	38.04	1.17
2030	29.41	35.37	35.86	1.17
2100	29.41	30.57	31.06	1.17
2130	29.41	31.64	32.12	1.17
2200	20.17	30.57	31.05	1.17
2230	10.52	30.40	30.88	1.17
2300	10.49	30.07	30.55	1.17
2330	10.50	23.55	24.03	1.17
2400	10.50	23.55	24.03	1.17

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.89/MWh becomes 1.889p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6763 between 8.30am and 5.15pm Monday to Friday.

Year 2000 challenges lie ahead but it will be all right on the night, says **Andrew Baxter**

Santa logs on for a ride into the millennium

Santa trudged across his snowbound Lapland domain in the gloomy half-light of a December day, retracing steps he had been taking for centuries. Routine suited Santa, and at this busy time of year it paid to be methodical.

After a hearty breakfast, he would visit the stables to check the reindeers had passed the night peacefully – they would need all their reserves of strength on Christmas Eve. Then it would be back to the office to pick up the morning's postbag, pausing perhaps to exchange pleasantries with the elves on sleigh maintenance duty.

This year, though, Santa could not help noticing that his postbag was a little lighter than usual. This puzzled him, until he remembered that some bright spark in the technical services department had suggested he should "get online". His young, upwardly mobile customers in North America, and to a lesser extent Europe, were increasingly reliant on e-mail, the elf-nerd had claimed enthusiastically. "They'll be expecting you to do the same."

So now there was e-mail to check each morning too. During the quiet time in the summer, the techies had installed a PC on his desk, along with a pile of manuals that he had never got round to reading. The machine had sat there untouched for weeks, its blank screen staring at him reproachfully, until he had plucked up the courage to switch it on.

He was ticking off in his head the many tasks that had to be completed before the big day

Santa was no Luddite, and had to admit that, when it worked, e-mail could be very efficient. There were fewer envelopes to slit open and less handwriting to decipher, for a start. "It's not so personal, but I suppose this is what they mean by progress," he had thought to himself as he logged on one morning.

Today, though, there was nothing in his in-box. Santa groaned. "Not again!" he thought. Wearily he picked up the phone to ring the help desk at his internet service provider, only to hear that "the main Lapland router is down. At this time we're working on trying to expedite the problem, sir". Santa never ceased to marvel at the wilful complexity of human organisation. You ring a number in Ireland, but the response comes from a German sitting in Hamburg, trying to sound American.

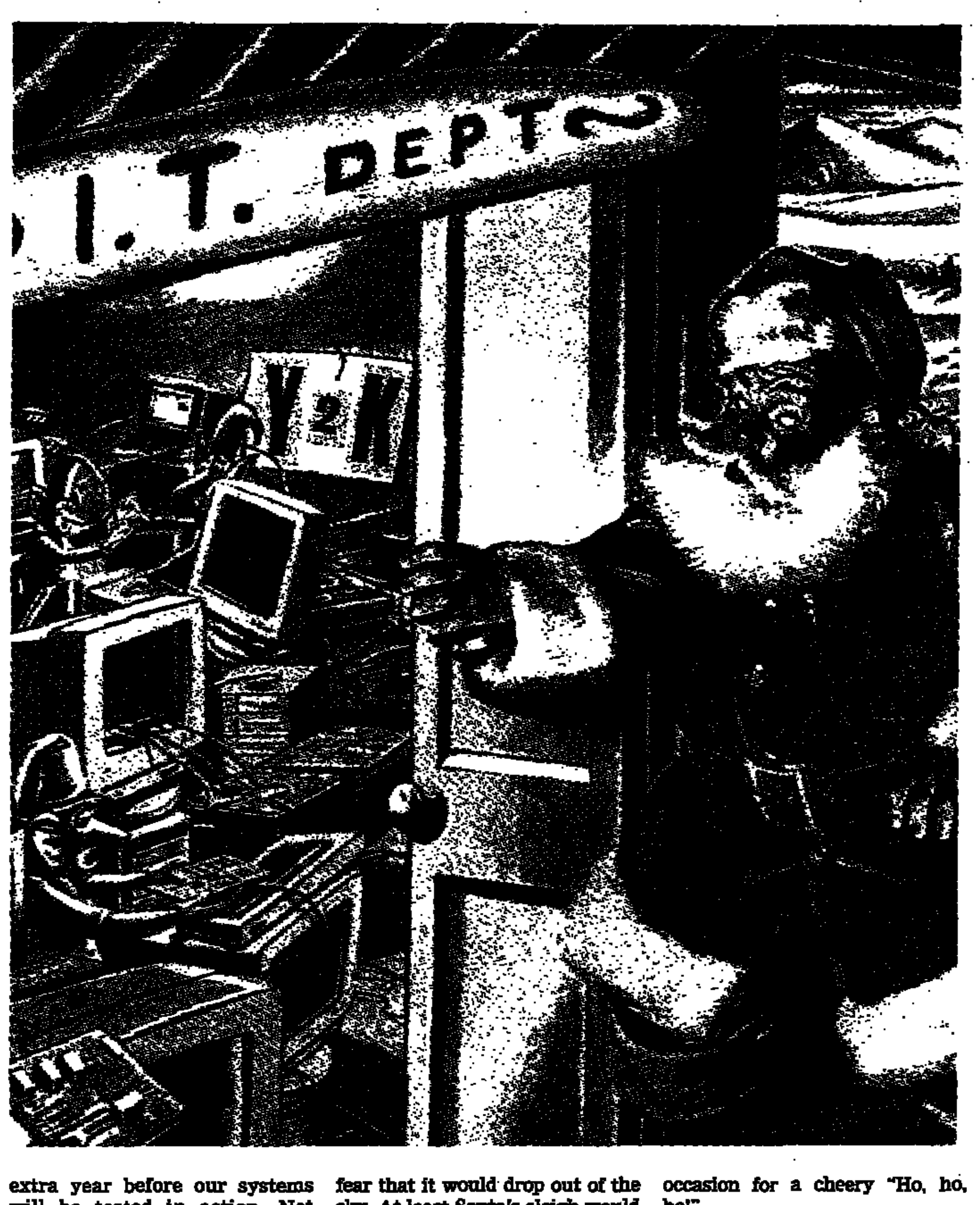
He switched his PC off in disgust, and wandered off down the corridor. By the time he reached the IT department he was deep in thought, ticking off in his head the many tasks that had to be completed before the big day. But it was not long before the distinctive screech of elfin voices raised in argument broke in on his reflections. "Hmm, I'd better listen in to this," he thought. "Might learn something."

Quietly, the old man popped his head round the door. He had never visited the department before, but the scene that confronted him seemed to confirm his worst fears about the technocrats on which so much of his infrastructure now depended. There was a group of them engaged in animated discussion, surrounded by several computers in various stages of disrepair, their components heaped all over the place. "No wonder they can never find anything when I call them." Santa thought grimly.

"Well, we've got a problem here, and the big question is, when do we tell him?" one of the elf-nerds was saying. "He'll go ballistic. If we don't handle this right we'll be forced out of these cushy white-collar jobs and into some real work – like mucking out the reindeer stables. I'd have to sell my second gnome."

"Look, it's not a problem, it's a task," chimed in another. There's a lot of work to do, but we'll just have to get stuck in and start changing the code. We'll need outside help too, of course – you know, consultants." The group winced, almost audibly, but the elf continued. "A lot of it can be done automatically, but we'll have to get the old-timers back in who wrote the original software. I'd bet they could do with some extra money after Christmas."

"Let's just fix it and tell him afterwards," said a third. He's got a lot on his plate at the moment – you should have seen how much that last million-mile sleigh service cost. And let's face it, we've got the best part of an extra year before our systems will be tested in action. Not much happens round here on January 1, whatever year it is."



The others nodded sagely. They had all read about how some of their human counterparts were refusing even to board an aircraft at the turn of the millennium, for fear that it would drop out of the sky. At least Santa's sleigh would be safely back in its garage by then.

Santa could bear it no longer, and strode into the room. "Would someone care to tell me what this is all about?" he boomed. Somehow, it did not seem the right occasion for a cheery "Ho, ho, ho!"

"Er, w-well, sir," stammered the head elf-nerd nervously. "It's like this, you see, sir. Some people call it the millennium bomb. Many of the IT systems we've brought in over the past 20 years or so operate on a two-digit date system, so this year, 1997, is entered as 97. They won't be able to handle the changeover to the 21st century because they will think they are in the year 00 and go haywire. We can fix it, of course, sir, but it will take time, and there is the additional problem of the, er, ahem, embedded processors."

Santa stroked his beard, confused. The last time he had encountered embedded processors was back in the bad old days of industrial strife in the present-wrapping factories. The night-shift workers used to take mattresses in and sleep on the job. Surely the practice had been stamped out?

Then he turned to the elf-nerds. "Couldn't you have seen this coming?" he asked. "You don't have to be an ice-god to predict that the 20th century is coming to a close."

"Well hardly anyone else did." retorted the head of IT, struggling to dispel from his mind the image of a reindeer stable on a chilly February morning. "We're in the same boat as most big IT users in the human world. We've bought a lot of different systems over the years and the Y2K problem – that's what we insiders call it, sir – may affect some or all of them. We've got to work out the priorities, rewrite the software where necessary, and then test the lot to make sure everything that's important is Year 2000-compliant."

Santa pondered the IT chief's reply. It was true that the organisation relied heavily on IT. It had started with payroll processing – Santa vaguely remembered cutting the ribbon to open a huge computer room in the early 1970s – then the design office began using computer-aided drafting software to speed up the development of new gifts. More recently, PCs had been springing up all over the place, linked to strange machines that the IT chief called "client-servers". As demand for Santa's services grew, vast databases had been compiled on users and their preferences, to help the production staff meet demand, while subcontractors had been linked to Santa's headquarters electronically. More recently, sophisticated web-based mapping software had been introduced to link customers and their requests with their location, which the IT department claimed would make route planning more efficient.

"So, how much is it going to cost to fix, and what do you want me to do about it?" Santa asked the assembled elf-nerds. "I'm afraid we're talking tens of millions in Santadollars," said the IT chief, "but the best thing you can do, sir, is to make it clear to all the different department heads that this problem can't be swept under the carpet, and that you are watching progress closely. That will make a big difference."

Santa grunted his agreement, wished the elf-nerds a happy Christmas, and strode off. These things had to be confronted – no point in sticking your head in the sand. But it would mean upheaval: the consultants would have to be accommodated – with a lick of paint, the old stable block would suffice – and the early months of 1998 would be unusually busy. Santa was starting to regret having snubbed those pushy young salespeople from two rival IT outsourcing companies, who had paid him a visit earlier in the year. Their trek to Lapland had given new meaning to "cold calling." Santa chuckled to himself, but if he had listened to them, maybe this Y2K problem might have been offloaded.

Still, it was important to keep things in perspective, Santa thought to himself as he returned to his office and warmed his stockinged feet by the fire. All this investment in IT had been useful up to a point, but the Year 2000 business would be fixed, just as all the other IT glitches had been over the past two decades. And – contrary to what seemed to be the case in most big human organisations – the millennium bomb could not affect the core activity for which he was famous.

Santa was starting to regret snubbing those sales people from IT outsourcing companies

For what happened on the night of Christmas Eve was down to him, his reindeer, and the power of belief – customer expectations, you could say – among the millions of children he visited across the world. No computers, web browsers or IT professionals would ever be needed to improve upon the magic of that night.

Eagle Eye · **Louise Kehoe**

Trouble in store

Online purchasing is failing to gain ground on the tradition of buying presents on foot

After an afternoon of standing in cash register lines and seeking the assistance of "Santa's temporary helpers" I can definitively report that talk of the internet undermining traditional retailers is a lot of hot air.

No doubt the digital elite are sitting at home today congratulating themselves on the ease of making their online purchases, but most of us are still vying for a parking place and trudging through shopping malls or along busy high streets. Industry analysts are predicting that online retail revenues will soar to well over $1bn (£600m) this season. Yet in practice, the limitations of internet commerce are painfully evident if you have tried to do your Christmas shopping online.

The net is a great place to shop if you know exactly what you want – a particular book, CD or brand-named shirt, for example. Moreover, as the success of Dell Computer's online stores, which ring up more than $2m a day, has demonstrated, purchasing a PC online is the way of the future. Choosing options – from the size of the disk drive to the software that is pre-installed – is a lot easier online than picking from a confusing array of varying configurations and prices in a computer superstore.

Internet shopping might also reap rewards if you are searching for an item that is not available in local stores. On the net you can shop the world, so if Santa is searching for Typhoo tea in California, or Giradelli chocolate in London, he would do well to take to the keyboard. But if, like me, you start out with a list of family names and the task of finding something to please all parties, internet shopping is more of a challenge.

A web site called www.presentpicker.com seemed to offer a solution. You select the characteristics, interests and personality of the person you are buying for and the site offers a list of suggested gifts. The first item this service came up with when I plugged in Dad's details was an 8ft by 13ft golf mural. I quickly realised that the menus did not include options that covered such matters as good taste or the fact that he may wish to continue his relationship with my mother.

An easier target, I thought, might be my 20-year-old daughter who has wide ranging interests and eclectic tastes. After filling in all the options, "present picker" could find nothing to suit her.

The drawbacks of internet shopping have little to do with technology. In theory, search engines can help us to find the perfect gift, and the mechanisms for transmitting orders and payment details via the internet are now well honed. The often cited security risks of sending a credit card number over the internet pale into insignificance when compared to those of handing over your card to a temporary store clerk who disappears for 10 minutes to "get authorisation". Yet in practice, internet buying is still a poor substitute for that old fashioned trip. Besides, Christmas just wouldn't be the same without it.

Search engines can help us to find the perfect gift, and mechanisms for transmitting orders via the internet are well honed

* * *

One internet retail service in which I am now a firm believer is the online travel agent. Both Travelocity (www.travelocity.com) and Expedia (www.expedia.com) are invaluable services if you are trying to find bargain airfares or available seats at busy travel times. Travelocity goes beyond the typical airline search to tap into consolidators (or bucket shops) that buy up surplus airline tickets and offer bargain prices.

These services work well because they enable the consumer to take advantage of search engines typically available only to professionals. Like the purchase of a computer, they make a complex purchasing decision much simpler.

* * *

From chips to beans? Intel is known for making the chips that are inside personal computers but now the company has a side line that is growing apace. Orders for beans, or beans inside little dolls to be more precise, are flooding Intel's web site and its company stores. The "bunny people" figures – about 7in high and designed to perch on the front edge of your computer monitor – are clad in iridescent "bunny suits" styled after the cover-all togs worn by the workers in Intel's chip manufacturing plants.

The garb was made popular by the dancers in Intel's TV commercials who leap about to the strains of *That Groove Thing*. The little dolls were supposed to be a short-term promotional item, but proved so popular that Intel is now making them available to the public. At $7 a piece they are selling like hot cakes. So what next? I hear that Intel is considering a broader line of bunny-people toys. And if PC sales go soft in the spring why not bunny-people fashions too?

* * *

Good weather is often cited as one of the advantages that has helped to make the Silicon Valley a global technology centre, but you would hardly credit it over the past few weeks.

Looking out at an El Niño rain storm lashing the windows last week, the prospects of a new high-tech enclave on the Hawaiian island of Maui sounded very attractive.

Developers of the Maui Research and Technology Park acknowledge that the island's bucolic climate and sandy beaches have helped to attract tenants, but they are not relying upon sunshine alone to bring companies to their site. Access to one of the world's most powerful supercomputers is a bigger draw than climatic considerations, the Maui group finds. The addition of a high-speed communications link makes the Hawaiian centre a virtual outpost for US businesses.

Add to this the heterogeneous culture of Hawaii, where Asian and American visitors feel equally at home, and Maui appears to be an ideal setting for a high-tech venture.

Throw in favourable financial terms and it is no wonder that the Maui economic development group is getting a favourable hearing in Silicon Valley.

Is it all too good to be true? Maybe so. I should do some onsite research to find out for sure. I'll pack a beach towel, just in case.

Share your views in the Eagle Eye discussion group on the FT web site (www.FT.com) or contact Louise Kehoe by e-mail on louise@FT.com

Nicolas Cage and John Travolta in John Woo's 'Face/Off', the year's finest balancing act between the cruel and the compassionate

Cinema in 1997/Nigel Andrews

Sentiment meets sado-scepticism

At the end of a typical disaster film the main characters have somehow reached safety. Their clothes are charred or shredded; make-up has plied them with bruises and burn marks; but they are Paul Newman, Charlton Heston or Karen Black, and by heaven they will prevail.

That is how we film critics felt at the end of 1997. If we could survive *Volcano*, *Crash*, *Anaconda*, *Speed 2*, *Batman And Robin* and *I Know What You Did Last Summer*, we could survive anything. As the nation's movie watchdogs, we had to. More than that, we would meet up for fresh cataclysms in 1998.

Amid the violent high points, however, it was a year of oddly mixed moods and messages. Global warming means that many films appear to be becoming more temperate, even if beyond that we suspect a new ice age. Touchy-feely cinema was much with us early on. Famous actors bonded with small children, like Mel Gibson in *Ransom*, Tom Cruise in *Jerry Maguire* and Jim Carrey in *Liar Liar*. Unamusable monarchs were amused and humanised, like Judi Dench's Victoria in *Mrs Brown*. And for services to love beyond the call of wartime duty, *The English Patient* was drowned in Oscars.

But as a panel of TV gurus noted the other night, the New Sensitivity may be waiting upon a New Decadence or New Cruelty. That is how *fins de siècles* work, not to mention *fins de* millennia. Revolutions in sensibility speed up rather than slow down as the bend approaches.

So 1997 was the year of *Crash*, the film that came closest to destroying my colleagues' level-headedness. And it was the year of *Mars Attacks*, in which an entire American government is picturesquely blown away; of *Nil By Mouth*, in which man's inhumanity to woman reaches new heights or depths; of *The Lost World*, which combined apocalypse-as-usual with some creepy sadism involving small dinos; and of David Lynch's *Lost Highway*, so black and nihilistic that it almost came out the other side into millenarian high comedy.

Violence can, of course, produce wonderworks. The most underrated popular movie was *Face/Off*. Delirious with visual invention, John Woo's tale of two identity switches was a fable about ends and beginnings designer-made for the run-up to 2000. Didn't any of my brethren note the two characters called Adam and Eve? Or the drawn-out shot where the "heroes" crawl out from the sea's edge like our pre-human ancestors? The movie was so high on mythic reverb – what other Hollywood shoot-em-up had characters with names like Castor and Pollux Troy? – that perhaps British critics thought it was all a joke. In a sense it was. But in these post-modern times a joke can also be serious, even scholarly.

Face/Off was the year's finest balancing act between the cruel and compassionate, between family values and feral social meltdown. Some of the other best films of 1997, though, also sensed that the new humanism could turn into the new ickiness, unless sharply countered with the new sado-scepticism.

Baz Luhrman's modern-dress *Romeo And Juliet* replaced droopy lovers with ardour-struck semi-delinquents. Atom Egoyan's *The Sweet Hereafter* showed that if children were angels they could also be avenging angels. And though Nick Cassavetes' *Unhook The Stars* has another child-adult bonding, with Gena Rowlands adopting the doe-eyed little son of a neighbour, the film was also a witty inquisition on the wrong kind of family values: from possessiveness to sibling jealousy.

For those despairing of the health of foreign-language cinema, I happily recruit a Finnish and French film into the year's ten best. Aki Kaurismaki's *Drifting Clouds* is a great minimalist comedy: the tale of a battered marriage in which mute looks and subtlest dumbshow paint a faux-naif picture worthy of Fassbinder. And Patrice Leconte's scintillating *Ridicule* mills together sentiment and satire in a costume drama about manners – good, bad and ugly – at the court of Louis XVI.

However, if we are dividing filmdom into flags of the nations, we must end up with Britain. The country's startling cine-revival continues apace, although some of us think it is more a matter of good television escaping at last into cinemas. Of the year's two top "sleepers," *The Full Monty* was midwived by Channel 4 and *Mrs Brown* was a BBC TV drama made with minimal large-screen expectations, until it bowled everyone over at Cannes.

Meanwhile *Bean*, now earning a few million in America, was paroled from television, whither it will doubtless return. And the BBC and Film Four logos fly over almost every film not made by surefire commercial enterprises (like the Bond outfit) or using less surefire lottery money. (Anyone for *Shooting Fish*?)

So, with four UK films amid the largesse, here are the ten best in preferential order.

Drifting Clouds
Face/Off
Romeo And Juliet
Nil By Mouth
The Tango Lesson
Chasing Amy
Mrs Brown
Unhook The Stars
Ridicule
The Full Monty

Ham and spice

There is no shortage of choice, meanwhile, for the year's Ten Worst, starting or ending with *Spiceworld The Movie* (PG, directed by Bob Spiers). Not being a Spice Girls fan, I came to this film with no idea which one was Mel C and which Mel B – they both sound like vitamin drinks – nor why one girl is called "Posh" (she doesn't sound it) and another one "Baby" (she seems to have grown up in all the right places).

The film is like *A Hard Day's Night* directed by an idiot: full of sound from the girls and probable fury from future audiences. Even at the fan-packed press preview some scornful jeers broke out, at the end, across the Empire Theatre.

Comedy runs to Richard E. Grant hamming bravely as a stressed-out manager with a goatee beard. Suspense runs to will-they-won't-they reach the Albert Hall in time for their climactic concert. As for the music, it runs in one ear and out the other. To my untutored hearing, the most popular singing group of late 1997 sounds like five cheerleaders bombarding the world with homogenised vocal hoop-la.

There is always *The Magnificent Ambersons*, Orson Welles's mauled classic at the National Film Theatre. Soaring camerawork and superfine acting (Joseph Cotten, Dolores Costello, Anne Baxter, Agnes Moorehead) ennoble the tale of a turn-of-century America moving towards a momentous epoch of motor cars, business empires and splintering dynasties.

Cut and reshot behind Welles's back after disastrous test previews, the film was a turning point for him too. He never recovered the heights of *Citizen Kane* and never trusted a studio again. It was everyone's loss; though *Ambersons* can be seen today with joy as well as sadness, for the still-visible imprint of a man who thought giant thoughts in an industry too often dominated by pygmies and penny-pinchers.

N.A.

Dance in 1997

Bouquets and brickbats

The dance year has, inevitably, been dominated by the débâcle at Covent Garden. Condemned, through an absolute lack of foresight in its boards and administration, to an itinerant life for two years, the Royal Ballet landed up with a sickening box-office and artistic thud at the repulsive Labbatt's Apollo in Hammersmith. Not all the blandishments of concessions could make the season anything like the popular success it was believed by the administration it would prove to be. (And small wonder: pity the poor mugs who paid £40 for a seat from which one could see only two-thirds of the stage!) The assumption that, by offering an audience the delights of three large scale Opera House stagings Covent Garden would in some way acquire a popular image and win devotees to the art of ballet, was naff to a point beyond comprehension. Great art and great artistry do not flourish or gain friends by being set in the worst surroundings.

Now, after a brief trip to Spain, the Royal Ballet installs itself for Christmas at the Royal Festival Hall, where for over 40 years Festival (now English National) Ballet showed that reasonable prices could provide solid financial rewards. The Royal Ballet season is based on a grotesque programming and a high-falutin' price-schedule. (If your idea of Yuletide fun is the anthropomorphic taradiddle of *Beatrix Potter* and *Peter and the Wolf* at a top price of £48, then hurry to the concrete Gehenna on the South Bank.)

Looking at dancing throughout the year brought many rewards. Good to recall the grand Kirov summer season at the Coliseum, with the 18-year-old Svetlana Zakharova's first London *Giselle*, talent in abundance; with Yuliana Lopatkina's linear grace in *Swan Lake* and her daringly perfect adagio in *Symphony in C*, a marvel of sostenuto; with the entire company lustrously assured. Cheers for Igor Zelensky, for his dancing with his home company, and for a stunning appearance in the Royal Ballet's *Bayadere* and the almost lazy splendour of his technique. Flowers for the grace of Zhanna Ayupova, and storms of applause for Altynai Asylmuratova, heroine of the year (this seems an annual accolade) as Juliet, as Kitri, and not least as Zarema in *Fountain of Bakhchisaray* (her pose, standing on the battlements before she is sent to her death, the greatest single image of the year). And, be it gratefully recorded, she was an irresistible Swanilda with Roland Petit as her Coppelius at the Paris Opéra in Petit's staging for his Marseille Ballet. Cheers also for Petit celebrating his 25 years in Marseille (with Zizi Jeanmaire – absolute chic in a little black frock and those celestial legs – at his side). With the Kirov in its Mariinsky home, I saw a touching tribute to Natalya Dudinskaya – one of the company's idols – on her 85th birthday: her pupils (and the list contains many of Russian's greatest artists) danced for her with great verve and dedication during a memorable week.

Paris Opéra had a tremendous year. I forgive them a horrible *Sylvia* (albeit it was superlatively danced by Monique Loudières, Elisabeth Platel, Nicolas Le Riche, Manuel Legris: quel cast!) because of an imaginative repertory, ranging from Pina Bausch's *Rite of Spring* danced miraculously, to a revival of Massine's *Symphonie fantastique*. No less stimulating the performances: Isabelle Guérin superb in Petit's *L'Arlesienne* with the faultless Manuel Legris; Nicolas le Riche in everything a marvel; Platel an Odette/Odile of immaculate style and grace. And young talent abounded, not least the splendid Aurelie Dupont.

The Royal Danish Ballet mounted an imaginative *Cupid and Psyche* by Kim Brandstrup, and paid homage to the late Henning Kronstam with a gala which celebrated his talents – and brought a glimpse of Lis Jeppeson as the loveliest of sylphs. Brandstrup also made his mark in Britain with a version of *Les Noces* and his *Garden of Joys and Sorrows* for Arc Dance. Mark Morris was able to bring his *L'Allegro* to London, where – though its words were largely inaudible – it rightly created a sensation at the Coliseum. (The question of a Dance House for London, and the potential of the Coliseum in this matter – a much-needed home for English National Ballet; a receiving house for major troupes who will be too large even for the rebuilt Sadler's Wells – will not go away).

Twyla Tharp (with alert new dances); the San Francisco Ballet (with less alert new dances); Nederlands Dans 2 (with damnable new dances); Royal Winnipeg Ballet (with the sublime Evelyn Hart and some less sublime dances), and the Ballet Communal de Madrid (dance energy no excuse for the dances), were among our visitors. I reported on a vivid *Romeo* by Andre Prokovsky for the Royal Ballet of Flanders: on William Forsythe's Frankfurt troupe on cussed form in Paris; on Pierre Lacotte's Ballet de Nancy et Lorraine with a well-staged *Giselle*; on the Lyon Opéra Ballet with a new *Petrushka* and a realisation of Stravinsky's piano concerto; and on others over which veils were better drawn.

Poetry in motion: dancers from Paris Opéra, featured in 'Gotta Dance!', an exhibition of classic dance pictures, at Michael Hoppen Photography, Jubilee Place, London SW3 until January 31

For the Royal Ballet, sympathy during a difficult year. In *Push Comes to Shove*, in the welcome revival of David Bintley's *Consort*, in *The Judas Tree* (Mukhamedov astounding), the ensemble was excellent. The arrival of Tetley's glutinous *Amores* was a mistake, and as the Opera House season drew to its close, stagings had a cursory air (although Gillian Revie made a strong debut in *Anastasia*). Hatley was an Aurora of increasing assurance and grace, and Darcey Bussell was a heart-stirring Juliet, with Igor Zelensky making a grand debut as Romeo. In its Hammersmith exile, the company danced *Romeo* with unfailing sensitivity, and Sylvie Guillem gave a beautiful interpretation of Juliet – passionate, desperate, true.

Choreographic honours of the year go to Siobhan Davies for her *White Man Sleeps*; *Bank*; *The Art of Touch*: superb dances superbly danced. Honours, too, to Jonathan Burrows for his *Quintet*, played in tandem with his Cro-magnon triumph, *The Stop Quartet*. The Rambert Dance Company performed everything with marvellous dedication. English National Ballet presented a gigantic version of *Swan Lake* to delighted crowds at the Albert Hall (with Asylmuratova the heart of the enterprise), and Derek Deane staged a cheery version of *The Nutcracker* as his company's Christmas gift to us. Northern Ballet Theatre relocated *Giselle* to the Warsaw ghetto: not the most tasteful of ideas, though one cleverly worked-out. Birmingham Royal Ballet under David Bintley went from strength to strength. His *Edward II* was melodrama staged with vast conviction; a most welcome Balanchine evening brought the hieratic *Orpheus* into the repertory. Creations from Lila York and Oliver Hindle did not really succeed, but, cheers upon cheers, Bintley continues his evenings of apprentice choreography: the young having a go (at *Pictures at an Exhibition*) and a full house, paying £10 a seat, enjoying every moment. BRB is a truly regional company. It has a local and devoted public. It has an identity. It is the best news of the year.

Clement Crisp

Concerts in London

Mahler and Rachmaninov

It stuck out rather in the *Royal Albert Hall's* Christmas Festival programme. Alongside the BT Christmas concert, a Christmas carol singalong, carols by candlelight and other carol evenings presented by Raymond Gubbay, was this performance of Mahler's Eighth Symphony with an international cast.

For the third and last of his concerts in London this season James Levine had moved to the only hall that is big enough to accommodate this most gargantuan of all symphonies. The Philharmonia is giving Levine the platform to conduct some of its most prestigious dates: not only this Mahler 8, but also the televised Verdi *Requiem last week*. The orchestra gets in return Levine's influence in attracting international soloists, in particular singers (not many wish to say no to the artistic director of the Metropolitan Opera).

The line-up for the Mahler was fairly impressive: Jane Eaglen and Deborah Voigt were the two main sopranos, the latter outshining her former London appearances with lustrous singing; the characterful Michelle DeYoung and Birgitta Svendén were the mezzos, Johan Botha the splendidly unforced tenor, Eike Wilm Schulte the strong baritone and Jan Hendrik Rootering the bass. Perhaps there was a tendency to go for volume at the expense of artistry, but in this hall that is understandable.

Levine's Mahler had more drive than his Verdi. The *setting of the Latin hymn* "Veni, creator spiritus" went at a rocketing speed, even if it put on the brakes dramatically for the slower passages, risking continuity. But in the second part, Mahler's extravagant setting of the final scene of Goethe's *Faust*, Levine reverted to type, favouring expansive not to say sluggish tempos, culminating in a grandiloquent final peroration.

The orchestral playing was not note-perfect, though Levine coaxed some tender sounds from the first violins as they ushered in the virgin mother. Eight choirs, no less, were credited in the programme and they did their work ably. Levine is an undemonstrative choral conductor, but that belied a *performance that ended in his* image as we know it from records – fulsome, measured, weighty.

★

The pre-Christmas period has not been quite so bereft of classical music as it usually is. Last Thursday's concert at the Barbican, repeated the next day, was well attended (a lot more fun, after all, than late-night shopping in Oxford Street). It was an all-Rachmaninov programme, played by the London Symphony Orchestra under Tadaaki Otaka: the Third Piano Concerto followed by the Second Symphony after the interval.

The Norwegian pianist *Leif Ove Andsnes has made* a name for himself with the Rachmaninov concertos and it was to be expected that he would have a complete technical grasp of the ferociously difficult Third. At first, Andsnes displayed both strength and poetry, but not quite the determination to nail the big moments with the full force of his personality (except in the first movement's thunderous big cadenza).

Maybe he was pacing himself. Once into the finale, at a faster-than-usual basic speed, all the potential of the first two movements came together in an exciting performance. The driving power, the articulation, the ability to change the mood in an instant, everything was there. Maybe he is not the blazing individualist that Kissin is in this concerto, but Andsnes is probably *nearer to what Rachmaninov* expected.

After that the symphony was relatively disappointing. The same trajectory from brooding melancholy to exultant romanticism was followed, but without the lift-off that Andsnes provided. Otaka's speeds were slowish and rhythmically earthbound. The LSO gave him the strong sound he wanted – plenty of brass to power the climaxes – but the end result had no vision, beyond the obvious. Still, it was better than another yuletide carols spectacular.

Richard Fairman

Philharmonia concert sponsored by Enterprise Oil

Not all rubbish

Tony Jackson takes a charitable view of this year's management books

They lie around my desk in great jumbled piles: scores upon scores of books on business – the crop of '97, sent for notice and approval by proud authors and their publishers.

It is received wisdom that management books are rubbish. Their subject matter, we are told, ranges from gibberish to the blindingly obvious. Rupert Murdoch himself has said so, if not quite those words. As a man who publishes more than his share of them, he ought to know.

I am inclined to be more charitable. For a start, it is Christmas. And as I thumb through the piles, one or two have quite catchy titles – *Cannibals with Forks*, for instance – and several have pretty covers.

Besides, some aim to tell you something. Here is *Dig Your Well Before You're Thirsty*, by Harvey Mackay, which is full of tips on the creepy art of networking. Earl G. Graves's *How To Succeed In Business Without Being White* looks equally informative, though being white myself I am perhaps not the ideal judge.

At the other end of the spectrum are books which avoid telling you anything at all, whose title gives nothing away, and whose text lives up to the title.

For instance, *Reality Hacking*, by Nicola Phillips: "Reality hacking", Ms Phillips explains, "is about being more aware of ourselves so that we can be more thoughtful about our forays into white space, and use the fact that if we are not doing it all the time then maybe the leaps of faith are not as big as we imagine them to be." Hmm.

Or take *Salmon Day*, by Douglas Lamont. It begins: "Memory mothers internationalism, babies globalization, and nurses the interaction of governments, business firms and citizens with free enterprise markets."

Then there is *Rewiring the Corporate Brain*, by Danah Zohar. "The quantum self is both-and", Ms Zohar informs us. "It has both a unique, particle-like individual aspect and a shared, relational, wave-like aspect." The message (whatever it is) is reinforced by a recommendation on the jacket by a Swedish executive, who tells us how the book "gives holistic clarification of how to cultivate and energize the organisations for the future".

A special prize should go to *Information and Organisation*, by Mark Casson; though perhaps Mr Casson has an unfair edge, being an academic economist. The tone of the book is neatly captured by the jacket, featuring one of those diagrams with circles and arrows which make the eyes water.

Another topic is intellectual capital. This deals with intangible assets such as know-how, brand names and – presumably – book titles

"The incompleteness of contracts," Mr Casson tells us, "certainly exists as a rational response to information costs. It does not, however, create a major ambiguity which strategic behaviour by a specialised residual claimant is required to control."

This is perhaps a little out of the mainstream. In management terms, what are the themes which exercise this year's class of writers? What, as they themselves might put it, are the hot buttons?

Let us turn for guidance to Tom Peters, trend-spotter and guru (a term, he once shrugged off saying it was in common usage because "guru" is slightly shorter than "charlatan"). In his latest volume, *The Circle of Innovation*, Mr Peters complains of a dearth of books on his chosen subject.

Or, as he puts it in his distinctive brand of near-English: "Why are there so f-e-w books on... INNOVATION... and so-o-o-o many on teams/empowerment/re-engineering/quality? (1) Beats me! (2) Too hard?"

Shuffling once more through the pile, I am not sure about that. Here, for example, are *Innovation* (foreword by Tom Peters); *Managing Innovation*; *Winning through Innovation*; *Imitation to Innovation*; *The Innovator's Dilemma*.

And what insights do they hold? In *Innovation*, Fred Wiersema, a management consultant, tells us: "The innovation process has three major components. The first is invention – getting ideas. The second is development – turning ideas into reality... The third stage is getting the product on the market."

Perhaps some rocket scientists had already spotted that. For the rest of us, the book is a snip at $24 (£14.50).

Another burning topic, it seems, is intellectual capital. This deals with the exclusive value of intangible assets such as know-how, brand names and – presumably – book titles. So take your pick between *Intellectual Capital*, by Thomas Stewart: *Intellectual Capital*, by Leif Edvinsson and Michael Malone: and *Intellectual Capital*, by Johan Roos, Göran Roos, Leif Edvinsson (again) and Nicola Dragonetti.

Finally, there is one class of authors you have to feel sorry for: those – and there were many – who harangued us this year on how the Asian way of business is the key to vast wealth and personal fulfilment. The news that it more often brings a visit from the International Monetary Fund may dent their sales a trifle.

But hindsight is a wonderful thing, and it would be unfair to single anyone out: except, perhaps, the ineffable Mr Peters, who was greatly struck – his temples "literally throbbing" - by "the physical and mental intensity of the... ECONOMIC-EXPLOSION-CALLED-ASIA-WHICH-IS-ALTERING-THE-WORLD-BY-THE-HOUR,7-DAYS-A-WEEK,24-HOURS-A-DAY".

The world's bankers might agree. Certainly, they are not getting much sleep.

·LETTERS TO THE EDITOR·

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The value of gold – for long a figment of the imagination

From Mr J. Tadion.

Sir, In recent days you have published a number of readers' letters defending gold as a store of value. May I redress the balance by demonstrating that the term "store of value" has been a figment of imagination of man for at last 200 years.

From the year 1800 the price of gold at about $30 an ounce remained steady until 1857 when it rose to form a small bubble at a little above $50, falling back to the equilibrium level of $30 once again in 1870. The price of gold then remained steady around $32 until 1971 from where it climbed to $850 to form a bubble which burst in January 1980. Faced with almost two decades of selling pressure, this means that, should the gold price now rally to about $320, which was the last equilibrium level, many of those who missed the chance of selling gold on the way down will unload or go short.

In fact, it would be highly imprudent to have a bullish stance on gold at the present time, for it is a property of price bubbles that once they burst the price is very likely to fall back to an equilibrium level from which the move originally began. This would be, in the case of gold, around $30-$50 level.

As for gold being a store of value (noting that the price of gold was around $30 an ounce in 1800) if, instead of buying gold, one had deposited $30 in the bank at an interest rate of, say, 2 per cent per annum, it would have been worth some $1,500 and, at 3 per cent, $4500 today. More precisely, if in 1965 the $32 that could have bought an ounce of gold was invested at the true rates of interest, it would have created $500 against $289, the price of an ounce of gold on December 19.

J. Tadion,
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1009-Pully LAusanne,
Switzerland

Quality investment – by another name

From Ms Marjory Laing.

Sir, In response to the remark in your leader "Down, but not yet out" (December 20-21) that "a more dignified noun may soon be needed to describe the flow of money into [quality] US, European and Japanese bonds", I suggest the following:

- Flique – a flight into quality;
- Floque – a flight out of quality.

Both sound equally good (or awful) as verbs – Investors fliqued into US bonds", "Investors floqued into junk bonds".

And if a new word is needed to describe the FT's ongoing preoccupation with the economic situation in the Far East and the amount of space devoted to it in your columns, how about "fixasian"?

Marjory Laing,
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IMF stance threatens poor of east Asia

From Mr K. Watkins.

Sir, Stanley Fischer of the International Monetary Fund (Personal View, December 17) confirms that Karl Marx was right: history repeats itself, first as tragedy and then as farce. Having consigned Latin America to a decade of rising poverty and economic decline by mismanaging the debt crisis there in the 1980s, the fund is now peddling the same prescription for east Asia, oblivious to the consequences for the poor.

As it did in Latin America, the IMF is insisting that the claims of foreign creditors should be met in full. It intends to restore confidence through a dose of monetarist deflation which is unjustified by east Asia's underlying economic conditions. These are not governments characterised by financial profligacy, savings are high and inflation is low, suggesting a strong case for more expansionary approaches.

The fund's medicine poses a significant threat to the social gains achieved over the decades. In Indonesia, more than 20m people live below the poverty line, yet the IMF is insisting on deep debt deflation in the midst of the worst drought in 50 years and rising rural poverty. In Thailand, it is projected that 1m will lose their jobs over the coming year.

It is now urgent that the IMF and the World Bank undertake an assessment of the implications of the financial "rescue" packages for poverty. More immediately, measures are needed to ensure that public spending cuts do not fall on basic social services. Bailing out foreign creditors by depriving poor people access to health and education ought to be anathema, even for the IMF.

Kevin Watkins,
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Cost of EU benefits

From Mr Aziz Gulbahar.

Sir, Mr George C. Christofides (Letters, December 22) is correct in stating that, in theory, the Turkish Cypriot community would benefit greatly from EU membership, but what he fails to point out is why and how they would benefit.

They would benefit because for years they have not received the aid they have been entitled to (as this has been withheld by the Greek Cypriots) and the embargoes placed on their economy have meant that the gross domestic product of the Turkish Cypriot held north is substantially lower than that of the Greek Cypriot south. Furthermore, in order to reap the benefits of EU membership Turkish Cypriots are expected to forego many of the rights bestowed upon them under the 1960 treaties.

Aziz Gulbahar,
chairman – political committee,
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Secession came later

From Mr Martin Boyle.

Sir, So this is the year 1986 in Taiwan because 1911 was when Taiwan seceded from China (Millennium Watch: "Behind the times", December 10).

That's news to me, and probably to the governments of both the People's Republic of China and the Republic of China; 1911 was in fact when the Republic of China was set up – it decamped to Taiwan in 1949 after being overthrown by the Chinese Communist party.

Martin Boyle,
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For services rendered

Industrial sleuths spend more time searching databases than in secret surveillance operations, says Jimmy Burns

BUSINESS TRIBES

Ambrose Carey and his team of associates have just awarded themselves an expensive Christmas lunch at a London restaurant until recently owned by one of their victims.

Having dug up the corporate dirt on their target, they ensured the payment of a large debt he owed to their client. In the process they secured a not inconsiderable sum for services rendered. For Asmara, as their company is known, 1997 ended with a job well done.

Flushed with seasonal festivity, the 33-year-old Mr Carey, Asmara's founder and chief executive, declares: "This job is fun if you have a sense of irony."

Mr Carey belongs to a fast-growing tribe of corporate sleuths. They are employed by businesses to do a variety of tasks – everything from ferreting out useful information on markets and products to discovering the sort of information that recalcitrant debtors or hostile takeover bidders would prefer to keep quiet.

This tribe is growing fast partly because of increased demand, partly thanks to increased supply. The demand comes from the growth of business in parts of the world where – how to put it politely? – the majesty of the law lacks a certain something (as it does in, for example, Russia, or South Africa, or Manhattan). On the supply side, the end of the cold war has made lots of spies redundant, sending them in search of new careers in which they can exercise their skills.

Hence, the tribe of business sleuths is far removed from that old archetype of the wise-cracking gumshoe, Philip Marlowe – dirty-mackintoshed and half-drunk on bourbon. Mr Carey himself is an upper-crust Brit, although, in jeans, T-shirt and trainers, he bears little resemblance to James Bond.

For very different specimens of the breed, consider those who work at one of Asmara's competitors, Control Risks, a big corporate security firm that claims to have worked for more than 3,000 clients in 100 countries over its 20-plus years of existence. In a rare newspaper interview, one of its staff members, former Moscow-based journalist Toby Latta, outlined the company's modus operandi.

"We're not spying on people's boyfriends or girlfriends, or involved in things like that. We're at the upper end, providing clients with sophisticated strategic investment advice on the risks they are going to encounter."

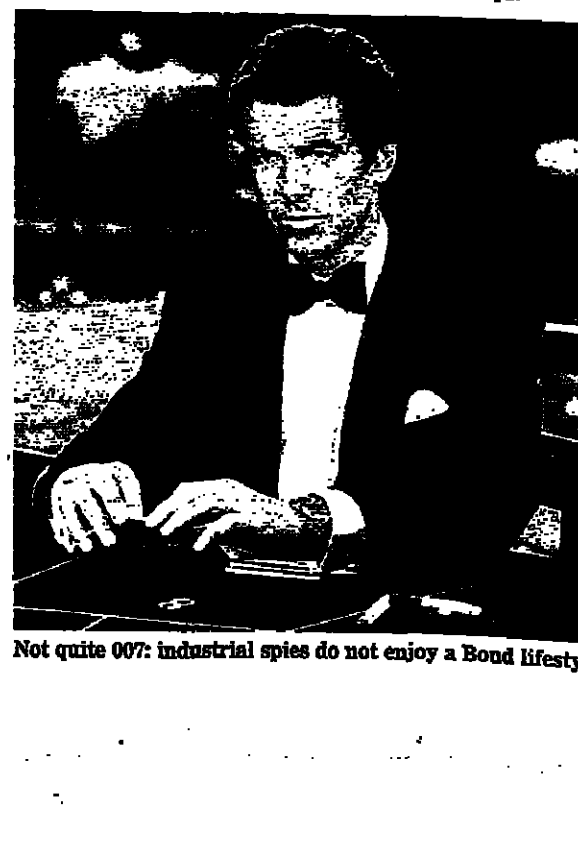
This year, Control Risks was part of an investigation into City whizz-kid Andrew Regan, who was videoed holding a secret meeting with executives from the Co-operative Wholesale Society, the company he was attempting to acquire. The taped evidence of an exchange of confidential documents, provided by Control Risks, helped scupper Mr Regan's takeover plans.

Control Risks is a fairly secretive business and most leading staff members keep a low profile. By contrast, Asmara's open-plan offices in Soho Square have the breezy transparency of a public relations company: no secret files under lock and key, no large shredding machines, no suspicious wires dangling from desks.

Asmara's Mr Carey comes neither from an intelligence nor law enforcement background. He claims that the growing sophistication of private investigators is making the official spooks redundant and says that "ex-spooks have a short shelf-life once they're disconnected from HQ".

Many big corporate security agencies think differently. They have for a long time had former CIA and MI6 employees on their staff registers. One long-serving MI6 officer-turned-corporate-investigator is Michael Oatley.

Far from having a short shelf-life, Mr Oatley, now 62, has reinvented himself in retirement. In 1991, he helped broker a secret negotiation with Irish republicans in a freelance assignment for the British government. Soon after, he joined one of the largest companies in the business, Kroll Associates (at about that time engaged on one of its most famous cases, tracing Saddam Hussein's global assets). Three years ago, Mr Oatley left Kroll to set up his own business, CIEX, also in the field of corporate investigations. "My clients like to be kept out of the news, and so do I, although I don't mind you mentioning our existence," he says.


Not quite 007: industrial spies do not enjoy a Bond lifestyle

Corporate investigators still occasionally rummage through dustbins for discarded secrets, but much of their work is done by technological remote control. Corporate spies have two main tools: a large computer terminal behind which they spend much of their time investigating leads, and an array of shadowy freelancers who help follow them up. Miniature cameras and bugging devices come a distant second to patient cross-referencing.

"We focus on obtaining accurate, substantive and legally admissible information on people and companies," says Mr Carey. "The answer often lies in some very obscure database. It is remarkable how much you can find out about what's going on in Los Angeles by just sitting at your desk in London."

Accessing certain data systems is not free, and the phrase "legally admissible information" understates the extent to which deception may be required. Mr Carey, like most of his kind, insists the methods used to obtain information must never fall outside the law. Nevertheless the tribe is adept at finding loopholes in legislation ranging from privacy law to data protection.

"We spend thousands of pounds a year paying for favours secured by freelancers. It's not a slush fund. We call it resource development," says Mr Carey.

"Having a network of freelancers around the world – combined with access to data – and not having to deal with government bureaucracies is what gives this business its cutting edge." It is freelancers who often provide the surveillance (following targets) and the use of long-range photography and telephone bugging. Within companies, the network extends from members of staff who want to blow the whistle to embittered former employees.

"We like to have incredibly good contacts at the highest and lowest level of an organisation," says Mr Carey. "Sometimes it is more useful to know the man in the basement than in the boardroom."

COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday December 24 1997

The faith of Abraham

No FT tomorrow, or the next day. This is as secular a newspaper as you could find, with readers around the world of all faiths and none; but the secular western culture of which we are part retains Christian roots. It looks to the church to solemnise the landmarks of private and public life: weddings, funerals, coronations. Even the millennium, which states are preparing to celebrate in secular fashion, only occurs when it does because of calculations made by an eighth-century monk about the date of Christ's birth.

That he probably got it wrong by several years hardly matters now, any more than the fact that the Gospel is silent on the time of year when it happened. Just as Christians long ago took over a pagan mid-winter festival, so today's pagans appropriate Christian imagery and ritual, belting out lines like "veiled in flesh the Godhead see" without stopping to think what they mean.

Yet those words express the defining doctrine of Christianity, which sets it apart from other faiths – notably Islam, whose holy month of Ramadan starts next week. In Islam, monotheism is the central doctrine: associating God with any other person offends against it. So Christian belief in the incarnation prevents Moslems from fully accepting Christians as fellow-monotheists.

Divinely inspired

Yet usually they are prepared to stretch the point. While abhorring the suggestion that Jesus or any other man could be God, their own faith teaches them to respect both Jesus and Moses as divinely inspired precursors of their own Prophet. So Jews and Christians are "people of the Book", sharing with Moslems the common root of the "religion of Abraham", and thus assured, in principle, of respect within Moslem society.

Of course practice often falls short of principle. In practice Moslems and Christians have made war on each other down the ages. In the last two centuries Christians generally had the upper hand, leaving a legacy of resentment among Moslems which has made life difficult, sometimes dangerous, for Christian minorities in Moslem countries. Meanwhile migration has brought large Moslem minorities to western countries, where they are often (as a recent inquiry discovered in Britain) the objects of ill-informed "dread and dislike".

Differing faith

The west thinks it has a ready-made solution: everyone's religion should be their private affair, while the public sphere should be neutral, available to all for self-expression but to none for coercion. Christians learned the hard way, through religious wars among themselves, that only so can communities of differing faith live peacefully side by side.

Yet both Moslems and Christians who take their faith seriously find this formula unsatisfying. The Archbishop of Canterbury, on a visit to Pakistan this month, pointed out that tolerance is too often "equated merely with indifference". Minorities that are only tolerated, he said, often "end up feeling that they are being allowed to exist on sufferance, but that their existence is by no means secured". Jews perished in the holocaust after centuries of toleration in western Europe, and Bosnians who had lived in peace for decades "turned on their neighbours in acts of terrible bloodshed".

Thus confining religion to private life is no guarantee against its becoming the pretext of hatred and violence. People of different faiths must go further, showing respect for and interest in each other's traditions.

That does not mean trying to disguise real differences or to merge beliefs in some vague, lukewarm pantheism. It does mean drawing on the values of peace and compassion which are shared by all the great world religions, and remembering, in the words of a British Moslem author the archbishop quoted, that "both Islam and Christianity are ethical faiths, in which belief cannot be separated from behaviour".

Over-rated agencies

It does not take much expertise to see that something rotten in Asia's financial system sparked the region's economic crisis. What is now becoming clear is that something rotten in US markets is helping make it worse, namely the absurd reliance of investors on questionable judgments by credit rating agencies.

In the past couple of days Moody's and Standard & Poor's have between them downgraded the long-term sovereign debt of South Korea and several other Asian countries to junk status. In Moody's eyes South Korean debt is now more risky than that of El Salvador and Croatia.

No doubt there are risks – but if so, why did the credit rating agencies wait till now to advise their clients? Their performance in the Asian crisis leaves much to be desired. Having failed to perceive the extent of the problem as it developed, they now appear to be over-reacting in compensation. S&P's decision on Korea, coming a day after that of Moody's, looks like a knee-jerk reaction that makes the agencies resemble a herd of terror-stricken bankers.

True, Korea is suffering from a severe shortage of foreign exchange, but that is the result of extensive problems with private sector debt. The public sector is under-borrowed; total foreign debt is manageable in relation to exports; and Korea is running an increasing current account balance of payments surplus. None of this is the stuff of which junk is made. Nothing in the present crisis yet suggests the Korean government will be unable to repay long term debt as it falls due.

Formulaic approach

This is not the first time that the rating agencies, who are accountable to no one but wield enormous power in the credit markets, have come up with half-baked judgments. Part of the problem must reflect their analysts' limited understanding and experience of the countries they are dealing with.

Part is that the nature of their work requires them to take a formulaic approach and rely uncritically on government statistics, which may be out of date and incomplete. Because they want to appear scientific rather than subjective in their ratings, they do not have the same latitude to make independent predictive judgments as do other economists.

Reactive approach

Their reactive approach means the markets should take their judgments with a pinch of salt. Yet the agencies have managed to bully their way into a position of extraordinary influence. They have foisted their ratings on borrowers, often providing them free at first and only later charging fees. The method merely adds to doubts about the validity of their work.

Sadly the markets have all too readily fallen for the ruse. Buying rated debt tends to absolve US fund managers in their own minds from making independent judgments about credit risk. If something goes wrong they can simply blame the rating agency. Worse still, it is written into the charter of many institutions that they can only buy debt of investment grade status, as defined by these self-appointed arbiters of risk.

Grown-up fund managers should make up their own minds. The fact that they have become obliged to follow the judgments of rating agencies is compounding the problems of Korea, Thailand and Indonesia. Lower ratings are forcing investors to sell bonds issued by these countries, sharply increasing their yield and making it well nigh impossible for governments to ease their problems by borrowing abroad.

Korea's downgrading thus risks becoming a self-fulfilling prophecy. It need not be thus, however. It would help if agencies did not have a financial relationship with the borrowers.

More important, the markets should adopt a healthy scepticism of ratings. Fund managers, who are better-paid and in a more competitive business than rating agency analysts, should learn to think for themselves.

FT Man of the Year • **Tony Blair**

Politician as weather-maker

The prime minister started to change Britain substantially in 1997, says **Philip Stephens**. 1998 will show how solid that start really is

Tony Blair looks comfortable in 10 Downing Street. His predecessor would greet visitors in the mahogany formality of the cabinet room. This British prime minister prefers to stretch out on a sofa in a modest adjacent study. Papers of state lie scattered on a coffee table in front of him. One gets the feeling that Mr Blair sees no need to impress.

Until May's general election the Labour leader had not served even in the most junior of ministerial posts. His party had last defeated the Conservatives in 1974, when he was just 21. Now, eight months on from his crushing victory over John Major's government, Blair and Britain seem one.

The prime minister has not been immune to the rigours of office. The intoxicating mood of national excitement and celebration that greeted his victory has given way more recently to a certain sobriety. Unsurprisingly, the new government has collided with the familiar intractabilities of politics. It has been discomfited by the European Union's plans for a single currency; and been taken unawares by the force of opposition to its plans for reform of Britain's welfare state.

The sofa-style of leadership has sometimes seemed more suited to opposition than office. And we have caught glimpses of the weaknesses and rivalries in a cabinet as inexperienced as its leader. Mr Blair's ratings have so far broken every post-war record. There is, it seems, only one direction for them to go. And it is hard to imagine that the Conservatives, now led by William Hague, can slump any further into the political abyss.

Mr Blair, it should also be said, was not the only successful political leader of 1997 to come from the centre left. Lionel Jospin, France's Socialist prime minister, surprised himself as much as anyone with a startling victory over Alain Juppé's government. Mr Jospin remains one of Europe's most popular leaders.

What marks out Mr Blair as 1997's man of the year is his capacity to make the political weather. The scale of the victory (Labour took 419 seats in the House of Commons to the Conservatives' 165) made him as much as a national cover story. But it was his reaction to the death of Diana, Princess of Wales – first steering and then co-opting both the people and the monarchy to his cause – that showed his intuitive feel for the nation's emotional pulse. Mr Blair is a politician, said one former aide to President Bill Clinton, with "perfect pitch".

Mr Clinton, whose New Democrats provided an early role model for New Labour, is perhaps a natural ally. But leaders of the right – Helmut Kohl and Jacques Chirac among them – have also paid fulsome tributes. Margaret Thatcher, whose legacy looms large in Mr Blair's project to remake the centre-left in British politics, is a secret admirer. She finds him more impressive than Mr Hague. Perhaps it is coincidence, but the then Mrs Thatcher was the FT's woman of the year precisely 10 years ago.

The prime minister's strength is as a big picture politician. His oft-stated ambition is to redraw the boundaries of political allegiance in Britain. The present century has been one dominated by the struggle between two ideologies. The supposed choice has been between state socialism and laissez-faire capitalism. Mr Blair sees a third option – a route-map for the centre-left in which social solidarity and cohesion complement rather than confront the market economy.

It's a strategy that says opportunities for the least privileged in society are best improved not by waging class war against the rich but by maximising the opportunities of the poor. The state, in Mr Blair's vision, is there to widen opportunity rather than to direct the operations of the market. Its three priorities, he says, are education, education and education.

In opposition, Mr Blair jettisoned Old Labour's ideological commitments to public ownership, higher state spending and punitive taxation. In government, Gordon Brown, his chancellor, has bowed before the economic orthodoxy of the times by fixing tight constraints on fiscal policy and by handing control of interest rates to an independent Bank of England.

The style is presidential. Mr Blair has none of the tribal instincts of a party born of an earlier struggle between the working and capitalist classes. Cabinet ministers sometimes leave his study wondering which party they now belong to. What counts is what works, he tells them. Moderate Conservatives ask why he is not their leader. He has, after all, appropriated the mantle of Disraeli's One Nation politics.

Mr Blair projects himself as a national rather than a partisan leader. Big business, the smaller Liberal Democrat party, even Conservative politicians are co-opted to the cause. Mrs Thatcher – and here is the difference between the two politicians – defined herself through her enemies: big government, unions, the Soviet bloc. Mr Blair, sometimes over-impressed by the rich and the powerful, prefers a politics of "inclusiveness", reaching out to princes as well as paupers.

In this context, Princess Diana was an obvious icon. As the prime minister remarked during the paroxysm of national grief that followed her death, she "encapsulated our idea of somebody who could be immensely successful, glamorous, but basically a compassionate, decent person who was prepared to give time and energy to other people".

Alongside inclusiveness, Mr Blair promotes the mantra of modernisation. Britain cannot be great again but it can be modern. It has lost its empire, but not its creativity. "We can never be the biggest. We can never be the mightiest," he told his party conference in October. "But we can be the best. The best place to live. The best place to bring up children, the best place to lead a fulfilled life."

For some, such rhetoric is a poor substitute for substance. Even admirers blanche at some of the clichés when New Labour's youthful image-makers talk of "rebranding Britain" in much the same way as a conglomerate might give itself a makeover. It seems, though, to reflect the nation's mood. For the moment at least, Mr Blair presides over what one US news magazine has dubbed "Cool Britannia".

For all this emphasis on presentation, on the prime minister as showbiz celebrity, the government has not been idle. The offer of devolution to Scotland and Wales foreshadows the most fundamental constitutional upheaval Britain has seen this century. Relations with Europe, ruined by the Conservatives, have been repaired, even if sterling's absence from the proposed single currency over time will reduce Britain's capacity to shape the future of the Union.

A high-risk peace strategy in Northern Ireland has brought a restoration of the IRA's ceasefire and the start of all-party talks in Belfast on a political settlement. And, at Westminster, Mr Blair has rewritten the rules of the political game by inviting Paddy Ashdown's Liberal Democrats to help shape his programme of constitutional reform.

It is an impressive checklist for the first few months. Yet, as Labour's communicators never cease to remind us, the future counts for more than the past. There has been a disjunction between vaulting rhetoric and prosaic reality. The unanswered question is whether the mood music is the precursor for radicalism; or whether it is enough, as Mr Blair seemed to hint in one unguarded aside, for New Labour, like Mr Clinton's New Democrats, merely to win a second term.

Mr Blair will tell you that it is the former. He insists he always expected the recent furore provoked by his plans for reform of the welfare state. The outcry, within his own party as much as anywhere, over a planned cut in the benefits paid to lone parents may have been mismanaged. But, in the prime minister's mind, such a moment of truth was always inevitable.

This brings us to the central challenge facing Mr Blair's administration. It has eschewed the traditional weapons of the left in the search for greater equality. In the global marketplace, macro-economic demand management, high public spending, and large-scale redistribution of wealth through the tax system are out. Social cohesion is to be built on raising standards of education and training for the least advantaged and, crucially, on getting them back to work.

Work, in the New Labour mantra, is an instrument of social liberation, the precondition for greater equality. A welfare-to-work programme for the young unemployed is already in place. Mr Blair promises it will be followed by a fundamental reshaping of the £100bn state benefits system to promote independence in place of dependency. In the words of Mr Brown, the intellectual architect of the strategy, the issue is not what the state can do for you but "what the state can enable you to do for yourself". More prosaically, unless the government succeeds in constraining the welfare budget, its ambitions elsewhere – above all in education – will come to nought.

Mr Blair, though, may have underestimated the difficulty of the task and the likely opposition to it. Reform of the welfare state, which accounts for a third of the nation's public spending, requires the painstaking construction of a new national consensus. For all its preoccupation with presentation, the government has yet to persuade its supporters that it can deliver a fairer society within the financial constraints set by its Conservative predecessors. For many in the Labour party, cutting the benefits paid, say, to the disabled is one genuflection too many before the altar of the market.

Several years ago, Mr Blair remarked that, after so long in the wilderness of opposition, it would be enough for a re-elected Labour government simply to prove that it could manage the nation's affairs. Radicalism could wait for a second term. By the time he reached Downing Street, he understood that modern politics is unforgiving of prevarication. To do nothing is to leave oneself at the mercy of events. Yet to force through change requires a willingness to make enemies of old friends.

Mr Blair has made a formidable start. Few have yet grasped the extent to which he has already redrawn Britain's political landscape. But, to borrow a favourite phrase, the choices can only get harder. The prime minister likes to be loved. But when the going gets really rough, it will be more important to have the nation's respect.

Central banks' reserves sales are in no one's interest, says **David Gulley**

Enduring qualities of gold

On Christmas Day 1973, all three gifts of the Magi were illegal in the United States. A week later, one of them would be legalised. Frankincense and myrrh were controlled substances. As for gold, Americans were banned from exchanging their dollars for it. On New Year's Day 1974, however, it finally became legal for Americans to buy gold.

The US government's overspending during the 1960s had made it impossible to hold the price of gold at $35 per ounce. The decision to end that link meant gold, then demonised as a "barbarous relic" of old times, was de-monetised, a process reminiscent of how a Hemingway character described going bankrupt: "Slowly, then all at once."

Today the market fears that we have reached that "all at once" point. Both public and private suppliers of gold find themselves at a historic junctures. Both should be making some plans as to what to do about it.

Miners need to face squarely the prospect that they may have to live with low prices for some time to come. Central bankers had better start thinking more carefully about how intertwined gold still is with national economies and financial markets.

A bit of history about the last time gold was this cheap ($293.45 an ounce in London yesterday) is instructive. Twenty years ago, the last time gold was this cheap, the US and the International Monetary Fund were steadily auctioning gold. These auctions kept the price down for years. But the gold was snapped up by investors and financial institutions, reasoning that if the US would no longer back its own dollars with gold then maybe private dollar-holders should back their own pile with the metal. These people did not buy gold because they thought it would do well. They bought because they were afraid it might do well.

There was such a demand for gold at that time, that the IMF and US stopped trying to hold the gold price down. In a confluence of events largely forgotten today, the flood of official gold and its subsequent cessation proved to be the springboard that catapulted gold in less than two years from $275 per ounce in mid-1979 all the way up to $800 per ounce in January 1980. After that a new kind of pessimism took root – namely that higher prices would boost supply, choke off demand and the price would collapse. This fear, too, proved unfounded. The appetite for jewellery together with rising incomes kept prices at a reasonable level despite the increase in new mine production. Eventually, prices stabilised between $350 and $420 an ounce – roughly the official 1934 price, adjusted for inflation. In short, gold kept its historical purchasing power even after the previous bout of selling.

> Central banks should take into account the gold market when planning their rescue packages in Asia and elsewhere

And now? Central banks and the financial markets believe that – like frankincense and myrrh – gold is obsolete. Governments are selling their reserves, or thinking about do so. Prices are falling. Yet a billion people throughout Asia and the Middle East still keep much of their personal savings in the form of gold. Ironically, at a time when Asians need gold and other alternatives to their local currencies, the IMF and its member nations may seek to sell even more gold to raise the capital they fear may be needed to meet this new crisis. In these circumstances, uncoordinated central bank gold sales – or co-ordinated but poorly thought out policy changes – could exacerbate the problems that region now faces.

Economic and monetary union in Europe may now be the single greatest threat to gold. It could disrupt the whole market if the new European Central Bank decides against using gold as part of the reserves it keeps to defend the new single currency in Europe. So, working with the Swiss, the US, and the IMF, the Europeans could – if they thought about it – take the lead in establishing a co-ordinated policy on gold.

The problem is that Europe is preoccupied with the domestic aspects of monetary union. The impact of the single currency on the gold market is viewed as a side-effect. The likeliest outcome is continuing uncertainty. This may not be just a matter of neglect. It may actually be unstated, official policy. Europe's central banks appear inclined to view reserve asset management strictly as a domestic affair.

But central banks, which hold the most gold (they have 10 years' supply in their vaults), stand to lose the most from a collapse in price. If they have decided to reduce their collective holdings of gold, an orderly divestiture is in their own interest as well as the interest of the billion-plus people who have some of their wealth in the metal. Granted, central banks routinely pursue polices that create hardship to one special interest group or another. But the current approach to gold is in no one's interest.

In the long run, as classical economists like David Ricardo foresaw, the fact that gold supply cannot keep pace with economic growth might mean that you shouldn't bet against gold. But, even if you believe that gold will become "just a commodity" you should be advised that most commodities have kept their historical purchasing power – and then some.

Gold is part of the world's economic system. The concept of responsible stewardship of financial markets should extend to it. Gold divestiture policies should be co-ordinated among central banks. And central banks should take into account the gold market when planning their rescue packages in Asia and elsewhere. But it might be another Christmas before there are signs of golden Magi in Europe and Washington, and miners and gold investors should, and no doubt will, proceed accordingly.

The author is a senior economist at Price Waterhouse in New York

Observer is on holiday and will resume on December 30

FINANCIAL TIMES
Wednesday December 24 1997

Japanese broker fails with $357m liabilities

By Gillian Tett in Tokyo

Japan's financial problems claimed another victim yesterday when Maruso Securities, a small unlisted broker, filed for bankruptcy with liabilities of Y46.3bn ($357m).

The collapse is the fifth this year in Japan's brokerage sector, which faces mounting financial pressure because of recent stock market falls and plans for "big bang" deregulation in April.

The Nikkei 225 average, the key stock market indicator, fell below 15,000 on Monday to close at a two-year low, partly because of fears about Japan's financial companies. The impact of the Maruso failure on investor sentiment was not clear, as Tokyo markets were closed yesterday for a holiday. They reopen today.

The collapse comes amid rising expectations of more consolidation in the sector, which is dogged by overcapacity and loss-making companies.

Last month the collapse of Yamaichi Securities, Japan's fourth largest broker, sent shock waves through the industry. Sanyo, the seventh largest, also closed last month.

These failures have pushed the stock market lower and left government officials scrambling to find measures to stabilise the sector.

Today, for example, the ruling Liberal Democratic party is due to announce more details of how it will use a planned Y10,000bn bond issue to support the financial sector. This will include measures to increase the pool of funds available to protect depositors from brokerage failures as well as bank collapses.

The Japanese government insists it does not expect any other big brokers to fail. However, a number of medium-sized companies have reported losses in recent years.

Maruso, based in the Tokyo area and employing about 200, had posted pre-tax losses for the past three years, with an unconsolidated pre-tax loss of some Y1.48bn in the year to March.

It had suffered a particular difficulty because of the 1995 Mexican currency crash. Before the crisis the group had sold financial instruments based on Mexican government bonds with repurchase agreements, but when these developed latent losses, the broker was forced to buy them back.

By the end of September this year, its capital adequacy ratio had fallen to 120 per cent, below the 150 per cent normally deemed necessary by the Japanese government for a broker to continue operations.

It is not clear how many other brokers face similar problems, since many are unlisted. To be listed a company needs to be capitalised at Y3bn or more; Maruso's capital was only Y1.36bn.

Zurich and BAT complete terms of $39.6bn merger

By Andrew Taylor

Modified terms to create one of Europe's biggest financial services groups have been agreed between Zurich of Switzerland and UK-based BAT Industries.

With negotiations completed, the deal is worth $39.6bn, based on Zurich's current share price. The merger proposals were originally announced in October.

The stake to be acquired by Zurich shareholders has risen from 55 to 57 per cent, while BAT Industries will receive £500m in the form of loan stock in the merged Zurich Financial Services group, rather than cash.

Michael Prideaux, director of public affairs at BAT, said the issue of a "marketable capital security" would be treated as an equity and would have less impact on the balance sheet than a cash payment.

The rise in the Swiss group's share of the merged business reflected "Zurich's better than previously anticipated earnings outlook," he said.

He said BAT intended to sell any loan stock in the merged ZFS group, which would have debt of about £800m.

BAT's remaining tobacco interests, to be listed separately under the original name of British American Tobacco, would have pro forma borrowings of about £4bn, following the demerger.

Under voting rules to protect British shareholders, the merged ZFS will be controlled 50-50 by both sets of investors, even through Zurich shareholders are in the majority.

The deal is still subject to approval by shareholders and regulatory and tax authorities in the EU and US. If this is forthcoming, the merger is expected to be completed in the second half of next year.

The combined business, including all of Zurich's existing operations, had $342bn of funds under management at the start of this year, including Zurich's pending acquisition of Scudder Stevens & Clark, the US asset manager.

ZFS also will be one of the world's largest insurance companies, with total gross premiums of $40bn last year.

The deal is one of a series of very large European mergers which have taken place or are proposed in the sector. On Monday, Italy's Assicurazoni Generali formally endorsed a deal giving Allianz, Germany's largest insurer, control over Assurances Générales de France (AGF), bringing to an end a takeover battle for the French insurer. Generali is to buy AMB, the German insurer, and two French insurers under a deal it struck with Allianz persuading it to abandon its FFr55bn ($9.24bn) hostile bid for AGF.

Zapatista supporters massacred in Chiapas

By Henry Tricks in Mexico City

Paramilitary gunmen have massacred up to 43 civilian supporters of Zapatista rebels in the southern Mexican state of Chiapas, in the worst outbreak of violence there since a guerrilla uprising erupted almost four years ago.

The slaughter raised fears of a new bout of political violence in Chiapas, the location of the Zapatistas' January 1994 uprising that sparked off 18 months of political and financial turmoil in Mexico.

The victims – some cowering in a church, and including many women and children – were attacked on Monday in a remote territory considered loyal to the Zapatista cause by dozens of gunmen wielding automatic weapons

Church officials in the city of San Cristóbal de las Casas, where the injured were taken to hospital, said the gunmen were apparently linked to the ruling Institutional Revolutionary party (PRI). They said the gunmen were part of a paramilitary group that protected the interests of landowners in the state.

Violence in Chiapas has simmered since 1994, mostly in the form of score-settling between villages split over support for the guerrillas.

Peace talks with the government have been stalled since 1996. Sub-comandante Marcos, the rebels' masked leader, has warned that his enemies are trying to goad him to strike again as an excuse for the army to wipe out his poorly armed forces.

Monday's massacre, which church officials said lasted for four hours, took place in the mountainous municipality of Chenalhó, some 40 miles north of San Cristóbal de las Casas.

Gonzalo Ituarte, a senior priest in San Cristóbal, said yesterday 43 people had so far been reported dead, but there was no immediate confirmation of the figure. Doctors tending the injured said they included young children hit by exploding machine gun bullets.

THE LEX COLUMN

20/20 vision

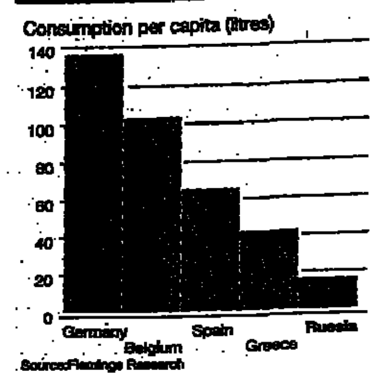
Forget the Nifty Fifty; check out the Twenty-Twenty club. It may sound like a rather insalubrious holiday organisation, but is actually those US companies with a market capitalisation of more than $20bn whose earnings are growing by 20 per cent or more each year. Bona fide club members are: Microsoft, Cisco Systems, Compaq Computers, Motorola and Dell Computer.

It would not do to over-analyse this list. Earnings per share, after all, is not the ultimate measure of value creation. Still, a couple of general conclusions stand out. First, the group is composed entirely of technology stocks, despite the drubbing they have received of late. Not a single healthcare, branded consumer or traditional manufacturing company makes the cut. Even more startling is how short the list is. Profit warnings or slowing growth have this year knocked Coca-Cola, Gillette, Walt Disney, Intel and most recently Oracle out of the club.

More encouragingly, a few Young Turks are waiting to join the charmed circle: companies that recently jumped the $20bn hurdle, or whose future growth rate is expected to accelerate to more than 20 per cent. These include Lucent Technologies, Home Depot, WorldCom, Tyco International, Airtouch and Cendant, a newly-merged consumer services group. Whether they can match the staying power of a Microsoft remains to be seen.

FTSE Eurotop 300 index
968.1 (+2.9)

Beer market



Source: Flemings Research

UK politics

Investors should pay more than a passing interest to Tony Blair's battle to reform Britain's welfare system. The UK may not have the same urgent need to tackle ballooning social security spending as most of continental Europe, thanks largely to the pension reforms of the Thatcher years. Nevertheless, finding a way to cap the growth in social security spending will largely determine whether public-sector spending can be kept at around 40 per cent of gross domestic product compared with the 50 per cent or so common on the Continent.

Fail on that score and either public-sector borrowing, which is finally coming under control, or taxes will have to rise in the long term. The first would eventually be bad for gilts, while the second would be bad for UK equities given that the corporate sector would probably bear the brunt of any increased taxation.

This week's revelation of cabinet divisions over reform of disability payments shows how difficult a task Mr Blair faces. Even holding a comprehensive review is proving hard enough; actually implementing reforms will require correspondingly greater political will. Questions such as where to draw the poverty line or how to measure disability have no easy answers. And given the vested interests in the status quo – many of whom form the government's natural constituency – there will be a temptation to avoid hard choices.

Fortunately, Mr Blair is so far holding firm. And his record of whipping his troops into accepting change is fairly strong. That said, he has blinked when worried about broader public disquiet – most notably in failing to take a more positive stance on membership of European economic and monetary union. Any buckling on welfare reform is unlikely to cause a swift reaction in financial markets. But the long-term consequence would be to blunt Britain's competitive edge.

Russian brewers

After a painful period following their mass privatisation in 1994, Russian brewers are now brimming with seasonal cheer. As a nation of vodka drinkers begins to enjoy new tastes, beer consumption should recover from its lows of 16 litres per capita in 1995 to around 24 litres in 2001, according to Flemings Research. And given that the Poles glug down around 40 litres each year and the Germans a spectacular 140 litres, hopes of 7 per cent annual volume growth are not unduly ambitious. In a Russian market of some 150m people, that is not small beer. Furthermore, with prices broadly in line with Germany's, the much lower cost base of Russian brewers ensures thumping operating margins.

Unsurprisingly, the sector has outperformed. Shares in Baltika, Russia's second-largest brewer, have shot up this year. For international brewing groups, the Russian market is attractive, but problematic. High import taxes have pushed the market share of imported beer down to 15 per cent from 30 per cent three years ago. If buying market share remains the only real option, the market leader Sun Brewing and others are likely to link up with the likes of Interbrew and Anheuser-Busch before long.

ICI

After Imperial Chemical Industries' big bang £4.9bn purchase of Unilever's speciality chemicals businesses and two large disposals, the back end of its metamorphosis is causing barely a stir. Indeed the group has underperformed the market since the July excitement of a £1.8bn disposal to DuPont. Yesterday's £220m explosives sale brings the running total to about £3.5bn, ahead of ICI's initial £3bn target. Yet it is vitally important that the process does not lose momentum.

Price tags so far have averaged one times sales. But the 75 per cent level achieved for explosives marks the transition to the hard part of the programme. ICI still has on the block businesses with turnover of about £2bn – notably well over £1bn in petrochemicals and about £600m in chlorine-based activities. While net debt is already set to fall below £3bn by mid-1998, ICI needs further disposals to restore its balance sheet and credit rating to a firm footing. The target is interest cover of 4-5 times.

The prices it gets matter not just because of the balance sheet issue. ICI paid more than 1.6 times sales for the Unilever businesses. Sure their operating margins were roughly twice as good as peak levels in the old ICI, but it would still look bad if a chunk of turnover was sold for a song. Time is also critical because continued wheeling and dealing constitutes a management distraction. The sooner the management can focus on running the new ICI, the less likely it is that the incoming businesses will lose their edge.

Korean debt default fears grow

Continued from Page 1

that a debt moratorium was unlikely. Among the measures he discussed were a $10bn sovereign bond issue early next month to cover a similar amount of short-term foreign debt due in January. Citibank is considering leading a consortium of international banks in purchasing the bond issue, according to domestic media reports.

The government claims it will have sufficient reserves to cover short-term debts due this month after the IMF and other multilateral agencies deliver at least $13bn in rescue funds.

Korea will offer state payment guarantees for bank loans to persuade foreign banks to roll over debts.

Meanwhile, Korea faced the prospect of growing energy shortages as oil companies have been forced to use scarce dollars to pay for imports since troubled banks have been reluctant to issue letters of credit to guarantee payments.

The government plans to use state-run energy companies to import oil and gas to ease threatened shortages.

Italy cuts interest rates to 5.5%

Continued from Page 1

ends a long-running battle in parliament over the government's proposed reductions in pensions spending, an area that ministers need to bring under control if they are to keep a lid on expenditure over the long term.

The wrangling over the budget, which at one stage looked as though it would cost Mr Prodi his job, forced the government to scale back its planned cut in pensions privileges for manualworkers, the self-employed and certain special groups such as pilots and truck drivers.

Mr Fazio warned during the budget debates that Italy needed a sustainable reduction in long-term pensions spending to restore confidence in public finances.

Italy's official discount rate was last reduced in June, when it came down to 6.25 per cent.

Ministers believe that Italian rates must converge with those of France and Germany next year when Italy aims to be named as a founder-member of the euro.

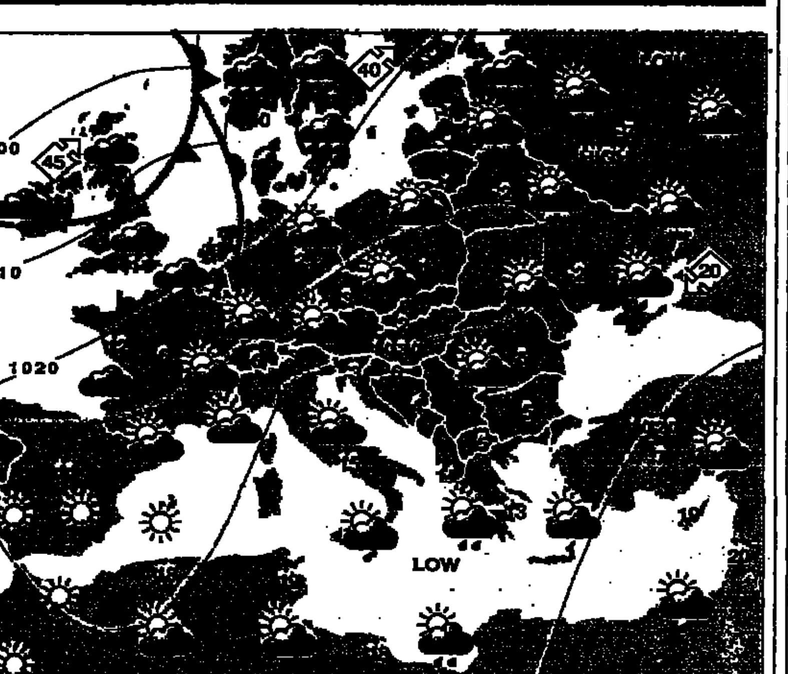
FT WEATHER GUIDE

Europe today

Denmark, southern Norway and southern Sweden will have heavy rain. Remaining parts of Scandinavia will have snow. The Low Countries and Germany will have rain at times. Austria and Switzerland will be mostly dry. Northern and western France will be overcast, with rain, but the rest of France will be dry, with some sunshine in the south. North-west Spain and northern Portugal will be cloudy with rain, but elsewhere high pressure will keep it dry and sunny. Southern Italy will have showers, but the north will be dry. Greece will be cloudy with showers, some heavy. Eastern Europe will be cold with snow flurries.

Five-day forecast

North-west Europe will remain unsettled, with spells of rain, and it will be mild for the time of year. Eastern Europe and Scandinavia will have snow at times. Central Europe will be mainly dry. There will be showers in most parts of the Mediterranean.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Sun 4	Cardiff	Rain 12	Frankfurt	Rain 7	Madrid	Fair 11	Rangoon	Sun 30
	Celsius	Belfast	Shower 10	Casablanca	Sun 20	Geneva	Cloudy 8	Majorca	Fair 18	Reykjavik	Rain 7
Abu Dhabi	Sun 25	Belgrade	Shower 6	Chicago	Rain 3	Gibraltar	Fair 19	Malta	Shower 19	Rio	Fair 35
Accra	Fair 32	Berlin	Shower 4	Cologne	Drzzl 10	Glasgow	Shower 11	Manchester	Rain 12	Rome	Fair 15
Algiers	Fair 18	Bermuda	Fair 23	Dakar	Sun 27	Hamburg	Rain 7	Manila	Fair 31	S. Frsco	Sun 12
Amsterdam	Rain 10	Bogota	Cloudy 22	Dallas	Cloudy 10	Helsinki	Snow -1	Melbourne	Fair 23	Seoul	Sun 6
Athens	Shower 13	Bombay	Sun 30	Delhi	Sun 23	Hong Kong	Cloudy 19	Mexico City	Fair 22	Singapore	Rain 30
Atlanta	Thunder 10	Brussels	Drzzl 11	Dubai	Sun 25	Honolulu	Fair 26	Miami	Thunder 27	Stockholm	Sleet 1
B. Aires	Cloudy 20	Budapest	Rain 3	Dublin	Fair 9	Istanbul	Rain 9	Milan	Cloudy 11	Strasbourg	Drzzl 7
B.ham	Rain 12	C.hagen	Rain 4	Dubrovnik	Fair 14	Jakarta	Shower 33	Montreal	Cloudy -5	Sydney	Fair 26
Bangkok	Sun 35	Cairo	Fair 21	Edinburgh	Fair 12	Jersey	Rain 14	Moscow	Cloudy -6	Tangier	Sun 19
Barcelona	Sun 16	Caracas	Fair 29	Faro	Fair 18	Johannesburg	Sun 26	Munich	Cloudy 5	Tel Aviv	Shower 20
						Karachi	Sun 28	Nairobi	Cloudy 26	Tokyo	Shower 10
						Kuwait	Sun 16	Naples	Cloudy 16	Toronto	Cloudy 1
						L. Angeles	Sun 18	Nassau	Fair 29	Vancouver	Rain 5
						Las Palmas	Sun 24	New York	Fair 6	Venice	Fair 11
						Lima	Fair 29	Nice	Fair 16	Vienna	Fair 4
						Lisbon	Cloudy 18	Nicosia	Shower 19	Warsaw	Shower 2
						London	Rain 15	Oslo	Snow 0	Washington	Fair 9
						Lux.bourg	Drzzl 8	Paris	Rain 12	Wellington	Shower 20
						Lyon	Cloudy 10	Perth	Sun 27	Winnipeg	Sun -4
						Madeira	Fair 21	Prague	Cloudy 2	Zurich	Cloudy 6

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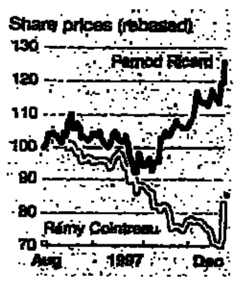
INSIDE

Rémy rises 15% on bid rumours



The Paris drinks sector fizzed on speculation over Pernod's use of the FFr5bn it made from its sale of the *Orangina* brand to Coca-Cola on Monday. Brokers Ferri said Pernod could now expand through acquisition and analysts chose Rémy Cointreau as the most likely target.

Rémy shares rose FFr12.80 or almost 15 per cent to FFr100.20 on talk of an imminent bid. Page 28

TVX to go ahead with Greek gold plant
TVX Gold, the Canadian producer, said it was committed to investments in gold mining and processing in Greece. Protestors say TVX's plan to build a $220m gold extraction plant near the village of Olympiada will cause environmental damage and ruin the area's chances of developing a tourist industry. Page 18

Factory delays cause drop at Acatos
Acatos & Hutcheson, the edible oils group, said more delays to its plan of opening Europe's cheapest vegetable oil facility were still weighing on profits, which fell from £7.7m to £5.8m ($9.57m) in the year to September. Page 14

Top staff quit at Citibank's Thai target
Top chief executives at First Bangkok City Bank, a mid-sized Thai commercial bank, have quit after "consultation" with the country's central bank. Thai authorities are keen to see Citibank of the US buy the bank. Citibank has signed a memorandum of understanding to take a majority stake in First Bangkok. Page 12

Companies in this issue

CROSSWORD, Page 18

Chief price changes yesterday

FRANKFURT (DM)				Teklogix	3.25	+	0.50
Rises				ZCL Comps	2.15	+	0.60
Bien-Haus	500	+	50	**Falls**			
Einhell	26	+	2	Alco Safety	15.50	–	1.00
Moksel	12	+	0.9	**PARIS (FFr)**			
Falls				**Rises**			
Glunz	52	–	5	Gravograph	51	+	4.9
Heritz	151	–	11	Louda	75	+	5.65
Sixt	134	–	9	Remy Cointreau	100.2	+	12.8
NEW YORK ($)				**Falls**			
Rises				Arpegan-Pr	1265	–	364
Texas Pac	38½	+	2¾	Gantois	772	–	68
Union Corp	31¼	+	3¾	Supra	43	–	2.85
Whittaker	10¾	+	1⅜	**HONG KONG (HK$)**			
Falls				**Rises**			
Pier One	19⅛	–	2	Amoy Props	8.70	+	0.15
Pohang Iron	16⅞	–	1⅞	First Pacific	3.62	+	0.13
Tadiran	33¼	–	3¾	Sth China Mng	5.25	+	0.15
LONDON (Pence)				TVB	20.40	+	0.80
Rises				**Falls**			
Blue Circle	332	+	17	Cosco Pac	6.25	–	0.20
First Call	10	+	3½	Shanghai Ind	26.95	–	1.25
Ionica	96½	+	9	**BANGKOK (Baht)**			
Falls				**Rises**			
Danka Bus	248½	–	18½	Amarin	5.30	+	1.20
Merrydown	53½	–	7½	Post Publ	23.50	+	5.25
Rotlec	81½	–	22	TPI Inds	18.50	+	4.25
TORONTO (C$)				Yongthai Chm	8.80	+	2.00
Rises				**Falls**			
Andyne Comp	8.60	+	0.80	Nippon Pk	9.80	–	4.20
Lumonics	25.00	+	2.00	Thai Text	12.75	–	5.25
Medisol Intl	5.00	+	0.85				

New York & Toronto prices at 12.30. Tokyo closed.

Argentaria seeks foreign input

Spanish bank wants core of stable shareholders

By David White in Madrid

Argentaria, the Spanish banking group, is seeking foreign partners as part of a strategy to secure a stable shareholding base once it becomes fully privatised early next year.

The plan reflects the bank's frustration in trying to find a "hard core" of non-bank shareholders. The group, in which the Spanish government is due to sell its remaining 29 per cent holding, wants to bring together international "reference shareholders", which may include banks, investment funds or insurance companies.

At the same time, the government is set to approve an arrangement equivalent to a "golden share", which would give it the right to veto any move by a single buyer to take a stake of 10 per cent or more in Argentaria.

This right is expected to be enforced for three years, with an option to extend it for a fourth, to guarantee the group's independence after privatisation.

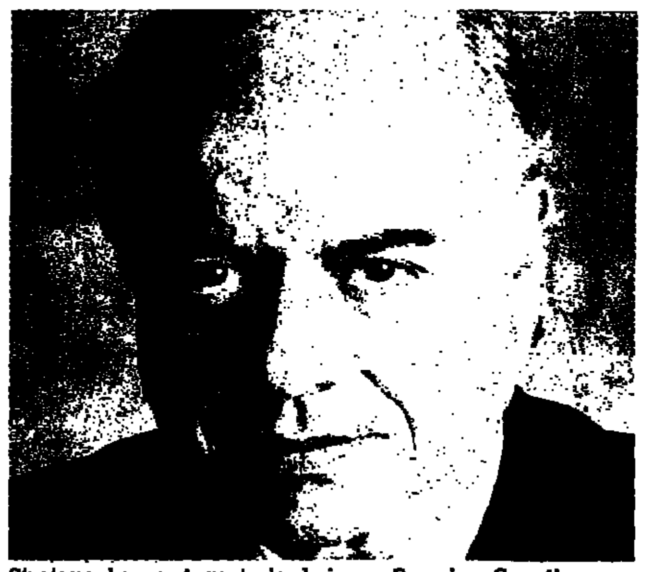
The government is due to sell its direct and indirect holdings in the bank in February, in a global offering expected to be worth about Pta325bn ($2.2bn) at current market prices. Retail investors are expected to be offered a discount on the issue price for the offering, the largest tranche of a four-stage privatisation begun in 1993.

Francisco González, Argentaria chairman, set out to form a "hard core" of mainly Spanish shareholders, which would exclude other banks and jointly control between 10 and 15 per cent of capital. The arrangement would have been similar to the core shareholdings which Spanish banks, including Argentaria, have established in Endesa, the leading electricity company, and Telefónica, the telecommunications group.

However, Mr González is understood to have failed to find the kind of partners he wanted in the run-up to the privatisation issue, and has abandoned the idea.

His strategy has changed in three respects: first, the timetable has moved back and there will be no "hard core" in place before privatisation; second, the aim now is to secure European and other international partners rather than Spanish shareholders; and third, other banks are not excluded.

Argentaria said yesterday it was looking for partners which would be more than financial shareholders, and which would bring business to the group. The change of plan fits in with the search for international alliances in the run-up to European monetary union.



Strategy change: Argentaria chairman Francisco González

Further disposals 'high priority' after $370m deal

ICI's explosives businesses sold to former subsidiary

By Daniel Green

Imperial Chemicals Industries is to sell its US and European explosives businesses to ICI Australia, its former subsidiary, for $370m.

It is the latest disposal by ICI to help pay for its £4.8bn ($7.9bn) acquisition of Unilever's speciality chemicals business in May. It further underlines the group's move away from the highly competitive bulk chemicals market, led by Charles Miller Smith, chief executive and a former senior executive at Unilever.

The deal follows the sale of ICI's South African explosives interests and brings to £8.5bn the amount raised by disposals since the Unilever acquisition. ICI sold its 62.4 per cent stake in ICI Australia earlier this year. Yesterday's sale reunifies the bulk of its former explosives business in the now independent ICI Australia, which will change its name to Orica on February 2 1998.

Alan Spall, ICI finance director, said there would probably be more disposals in the next six months. These are likely to be in petrochemicals and CFC replacements. "They are a high priority for management and we are in a number of discussions [with possible buyers]," he said.

Its disposal was part of a plan "to shift ICI's portfolio towards the lighter end of the chemicals industry", where the company was concentrating on speciality chemicals, coatings and some specialist materials, said Mr Spall.

He expected competition to increase in bulk chemicals partly as a result of new investments by Asian chemicals companies. In addition, a number of oil companies are moving further into petrochemicals. These competitive pressures are highlighted by the financial performance of the explosives business being sold to ICI Australia.

Trading profits in 1996 amounted to $3m on sales of $496m. Net assets at the end of December 1996 amounted to $135m. The business, which employs about 2,700 people, is based in Toronto, Canada, and manufactures in 13 countries including Canada, Mexico, Brazil and the UK.

Its products are used for mining, quarrying and road-building. ICI is retaining its business in supplying explosive propellants for car air-bags, even though there has been intense competition in the US market. It also retains an exposure to the explosives market through its 51 per cent stake in ICI India.

ICI Australia said that after the acquisition it would be the world's largest supplier of explosives with a 20 per cent share of the market.

The company said cost savings would be generated from economies of scale and overlaps between its existing and acquired explosives operations, in areas such as research and technology.

As part of the purchase, ICI Australia is acquiring one of the world's biggest and most efficient ammonium nitrate plants in Canada.

ICI's former explosives business in now reunified in Australia

Lex, Page 10

AT&T in $625m sale of division

By Richard Waters in New York

The flurry of disposals made by Michael Armstrong since arriving two months ago to run AT&T continued yesterday with the sale, for $625m, of a division that handles customer service calls for large companies.

The sale will substantially complete a plan to trim the struggling US company's activities so it can concentrate on increasing its main telecommunications operations.

The crash course of disposals and comments by AT&T executives in recent days have also raised expectations that the long-distance company is turning its attention to acquisitions as a way of breaking into the local telephone business.

"It looks as though they've done a good job of cleaning house," said Anna-Maria Kovacs, a telecoms analyst at Janney Montgomery Scott. "The question now is not what they are going to sell next, it's what they are going to buy."

Yesterday AT&T said it had reached an agreement to sell a unit known as AT&T Solutions Customer Care to Cincinnati Bell, a local telephone company based in Ohio, which has branched out into handling telephone-based billing, marketing and customer services activities. The unit, which employs more than 9,000 full-time and contract workers, handles customer inquiries, internet support requests and similar calls for large companies or other telephone carriers.

AT&T has also agreed to sell its credit card business, which may raise $4bn, and its small stake in DirectTV. The company also repeated that it was reviewing its paging business, but refused to comment on reports that it was considering a sale that could raise more than $400m.

Mr Armstrong is now expected to tackle the company's stalled attempt to break into the local telephone business. The company has suspended marketing efforts in the five US states where it had begun the service. But Mr Armstrong has identified the $100bn local market as AT&T's biggest priority, according to analysts.

The company has had merger discussions with Teleport, an independent local carrier, that could give it a foothold in many large US cities. It is believed to have considered other ways of entering the local market, including buying smaller independent carriers or rekindling merger talks with SBC Communications, one of the five Baby Bells.

Expectations drove the company's stock to a new high on Monday. At $62⅞, down 1\frac{1}{16}$ from the day before, the company's shares stood yesterday at more than twice their level of six months ago.

Barry Riley

Deflation misery provides a bond market tonic

Which nation's government bonds should we have asked Santa Claus for *last* Christmas? The answer is that the UK's gilts have triumphed in calendar 1997, both in terms of dollar and local currency returns. In sterling the gilt-edged return works out at about 14.5 per cent.

I should add that this result has been obtained on the basis of the main markets included in the J.P. Morgan Global Government Bond index. The Italians could justifiably point out that the local currency return on 10-year BTPs has been higher, with the benchmark yield dropping from 7.45 to 5.53 per cent compared with the corresponding gilt-edged fall from 7.51 to 6.27 per cent. But the JPM UK index's superior performance reflects the higher average duration of the gilt market.

Brazilian and some other Latin American Brady bonds have also beaten gilts in spite of a 16 per cent price crash in October, but I have left them out of this exercise as non-constituents of the chosen index. Meanwhile the markets remain open, so it is not clear whether gilts will succeed in remaining top of the heap for another week.

As usual, currencies have heavily influenced the pecking order for global bonds in 1997. It has been a particularly difficult year for unhedged dollar-based investors, who have suffered negative returns everywhere except the UK, Canada and, of course, the US.

In local currencies, though, returns have been universally at least satisfactory, as yields have fallen. Even Japanese government bonds have returned more than 7 per cent despite initial running yields that seemed suicidally low. The worst performance has been by German bunds, which have set the benchmark towards which so many other bonds have been profitably converging.

Early in the year things did not look so promising. Bond yields were rising as investors prepared for an acceleration of global economic growth: the long Treasury bond yield hit 7.2 per cent in April and the gilt yield reached 7.7 per cent. From then on, however, the developing Asian crisis ushered in a deflationary scenario that soon had bond fund managers licking their lips.

> The UK's gilts have triumphed in calendar 1997, both in terms of dollar and local currency returns

This month the OECD and the IMF have been slashing their 1998 growth forecasts by up to 1 per cent and the US bond bulls are talking the long Treasury yield down towards 5 per cent over the next year. Right now, though, the long bond is struggling to penetrate the technical barrier of a 5.9 per cent yield, where previous bull runs ended in 1993 and early 1996.

Germany, though, has more clearly moved into new low yield territory, with the benchmark bund yield down at 5.25 per cent, which is well below the former long-term resistance level of 5.5 per cent.

Besides the deflation story the markets have been helped by the sharp decline in issuance, with the US and UK heading towards budget balance, while Continental Europe's loose-monetary tight-fiscal policy stance has also been bond-friendly.

Although convergence remains relevant for quality bonds, the Asian problems and associated global slowdown have caused credit spreads to widen out rapidly again, with some of the Tiger government debt downgraded to below investment grade this week.

As for gilts, the market liked the granting of monetary independence to the Bank of England, though the empowerment soon led to an inversion of the yield curve. The market also approved of the tightening of fiscal policy under Labour. It further hoped for an early commitment to the single currency, which led to some excitement in September, but that never quite happened. Still, the vague raincheck was better than nothing. There remains a spread of more than 100 basis points over bunds so not all the gilt-edged fun may be exhausted yet.

Memo to Santa: Gilts could make useful gifts for 1998 too, although maybe this time you should throw in a currency hedge for foreigners.

Publicis seeks 72% of True North

By Andrew Jack in Paris

Publicis, the French advertising agency, plans to take control of nearly 72 per cent of True North if its partial takeover bid for the US agency succeeds, according to offer documents filed with US regulators.

The French agency, which has launched a $28-a-share cash bid to acquire just over 50 per cent of True North's capital, estimates that its stake will rise to 71.8 per cent after a planned merger between True North and the French group's Publicis Communication subsidiary.

Documents filed with the US Securities and Exchange Commission, and distributed to True North shareholders, reveal that Publicis has sued True North's directors for alleged breach of fiduciary duty.

They also show that Publicis paid Lazard Frères, its financial adviser, a quarterly FFr500,000 ($83,500) "advisory fee". This rose to FFr1m a quarter in October 1997.

Publicis' takeover offer has been frozen following a temporary restraining order. A US judge will in the next few days consider a complaint brought by True North in an attempt to block the French agency's bid.

The SEC documents reveal growing bitterness in the fight for True North. Publicis owns an 18.5 per cent stake in the Chicago-based group, which it is using to attempt to block True North's proposed merger with Bozell, another US agency.

Publicis maintains that the True North-Bozell deal fails to address the heavy reliance on domestic business generated by the two US agencies: 73.8 per cent for True North and 81.7 per cent of Bozell, in the year to September 30.

The French agency also warns True North shareholders that the Bozell merger will trigger a $80m-$120m provision.

It plays down past tensions between Publicis and True North, which it argues occurred only among senior management of the two groups and did not affect creative staff.

Publicis is also threatening action against the True North board for "breach of fiduciary duty", arguing that it has not provided adequate notice to shareholders ahead of a meeting to vote on the Bozell merger.

The Bozell deal places the directors' interests ahead of those of investors, the French agency claims.

In an exchange of letters earlier this month – reproduced in the filings – True North accuses Publicis of a "campaign of disruption".

It suggests the takeover would offer less value to its shareholders than the Bozell merger, and threatens retaliatory compensatory damages against Publicis and its directors for their attack.

US court ruling goes against HK's Wharf

By Louise Lucas in Hong Kong

Wharf Holdings, one of Hong Kong's biggest conglomerates, should be barred from commercial dealings with financial institutions with affiliates in the US, a Denver court has ruled.

The ruling, sparked by the group's refusal to turn over $150m worth of assets held outside the US, is the latest twist in a long-running legal battle over the existence of a cable TV business partnership with United International Holdings.

United claims that in October 1992 it was promised an option to acquire 10 per cent of the lossmaking Wharf Cable TV. Wharf insists no such agreement was reached.

However, court judgments in Denver have so far tended to favour United, prompting Wharf to appeal and withhold payment. The company has warned that the case could have severe implications for business relations between the US and Hong Kong.

Concerns have spilled over into Hong Kong's international business community, and the wider issue of US courts extending their jurisdiction to what might be considered Hong Kong matters has prompted business leaders to raise the issue with the Hong Kong government.

This matter is a source of tension in other parts of the world; for Hong Kong, the added fear is that the territory's own courts are considered inadequate following China's resumption of sovereignty in July – a point already made by US judges in a case involving an American tourist who drowned in the swimming pool of a Hong Kong hotel.

In September last year, three judges in the US Court of Appeals ruled that case should be heard in Massachusetts because of the likelihood that the drowned woman's family would face problems in Hong Kong.

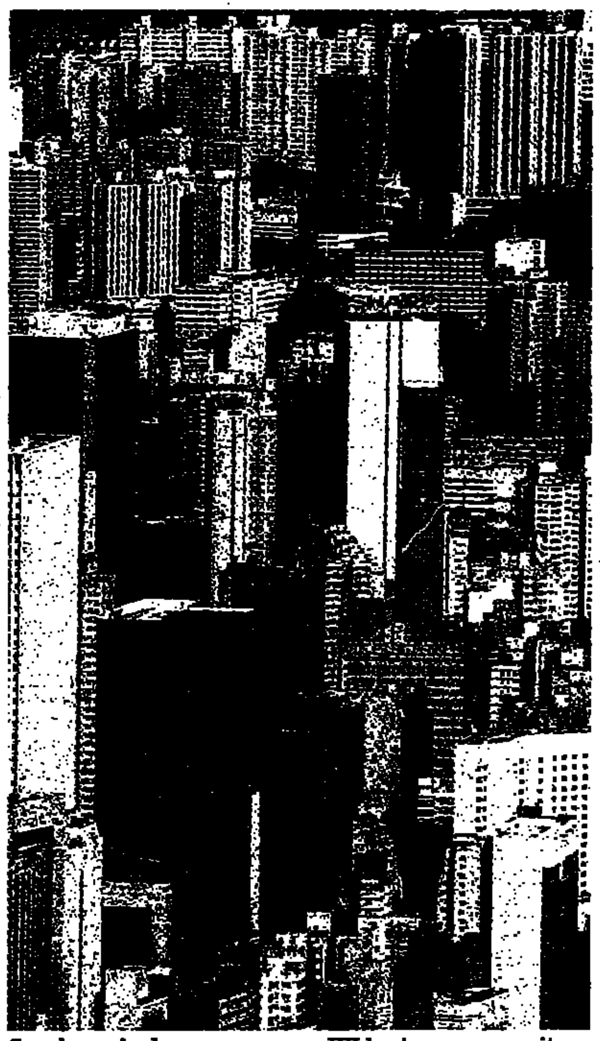
Some lawyers in Hong Kong have also warned that these cases, together with a handful of others concerning essentially Hong Kong cases that were heard in the US, could tarnish commercial relations between the two economies.

Christopher Hammerbeck, executive director of the British Chamber of Commerce in Hong Kong, said: "Naturally we are concerned when any foreign court exercises extraterritorial jurisdiction. That has implications for Hong Kong companies.

"Clearly, Hong Kong companies in future doing business with American companies will have very carefully to consider their contractual obligations."

Wharf has said that the outcome of its Denver case, particularly on jurisdiction and extra-territoriality, "could have long-term implications for US and Hong Kong companies wishing to do business together in Hong Kong, as it will become a legal benchmark".

Yesterday, Wharf accused the Denver court of exceeding its mandate. "Under the US constitution, the Denver court has no authority to impose trade sanctions to enforce its orders. Only the president and Congress can do that," it said.



Case has raised concerns among HK business community

Brussels suspends probe into MCI deal

By Emma Tucker in Brussels

The European Commission has suspended its antitrust investigation into the proposed merger between WorldCom and MCI, the US telecoms groups, following requests to the companies for more information.

Brussels was due to have ruled yesterday on whether to clear the deal under European Union competition rules, or to extend its inquiry by a further four months. The investigation will restart after Christmas.

Meanwhile, Metro, Germany's biggest retailing group, was given clearance by the Commission to buy the European cash-and-carry businesses of Makro, which have annual turnover of DM13.8bn ($7.8bn). Makro is owned by SHV Holdings, of the Netherlands.

Although both companies are mainly active in the wholesale cash-and-carry trade, their activities concern different markets. "The proposed concentration, therefore, does not lead to any addition of market shares on the national cash and carry markets," the Commission said.

Under the deal, Metro will acquire stakes of up to 60 per cent in Makro's 86 cash-and-carry sites in the UK, the Netherlands, Belgium, Spain, Portugal, Greece, Poland, the Czech Republic and Morocco.

Metro already owns up to 40 per cent of these operations. In addition, Metro will buy Makro's 40 per cent stake in its own cash-and-carry activities in Denmark, Austria, France, Italy, Hungary and Turkey.

Brussels has also given the go-ahead to Merrill Lynch's proposed £3.1bn ($5.1bn) offer for Mercury Asset Management, the UK's leading pension fund manager. The Commission found that the activities of the two companies were "largely complementary, with only very limited overlap between their business activities". It was also satisfied the new entity would face strong competition from other companies in the sector.

Shell International Chemicals and BASF, two chemicals group, were granted a green light from the Commission for their polyethylene joint venture. The combined venture will challenge Polimeri Europa and Dow as the second largest European producer after Borealis, with about 11 per cent of European capacity, according to the Commission.

Competition officials judged that given the size of the new company and a number of strong competitors in Europe, the concentration did not raise serious anti-trust concerns.

Delays hit Greek telecoms operator

By Kerin Hope in Athens

OTE, Greece's public telecommunications operator, yesterday announced weaker than expected nine-month results, with pre-tax profits at Dr211bn ($752m) on turnover of Dr590bn.

The results were part of OTE's first nine-month trading statement, published in line with new Athens stock-exchange regulations requiring listed companies to produce quarterly figures.

Analysts pointed out that OTE's results were calculated according to Greek accounting principles, which include fewer provisions than under international accounting standards. However, the operator underwent an international audit in preparation for a global offering earlier this year.

The company said it still expected to achieve 1997 forecasts of a 20 per cent improvement in pre-tax profits to Dr304bn, on sales up 15 per cent to Dr780bn.

Analysts said OTE's revenues had been affected by the slow pace of digitising Greece's fixed-wire network.

The company signed contracts worth Dr381bn for digital switching equipment this month with two local equipment suppliers – Siemens Hellas and Intracom – after more than a year's delay caused by a political dispute over transparency.

It said its board had endorsed new procedures proposed by Price Waterhouse, the international accountants, to bring procurement procedures in line with international standards. As a result, digitisation is expected to rise from 49 per cent of the network at the end of this year to more than 90 per cent by 2000.

Officials reaffirmed OTE's commitment to acquiring strategic stakes in regional telecoms operators. The Greek operator is the only firm bidder for a 40 per cent stake plus management of Moldtelecom, the Moldovan state operator. However, the $46.4m bid for the strategic stake may be too low, given that the Moldovan government had set an indicative price of $120m.

OTE Cosmote, the mobile telephony subsidiary, yesterday opened subscriptions to its cellular service, due to start up in January.

Big Six firm in French merger

By Jim Kelly, Accountancy Correspondent

The French firm of Deloitte Touche Tohmatsu, one of the global Big Six accountancy networks, yesterday announced a merger with Calan Ramolino – the third biggest independent accounting firm in France.

The move confirms a trend in which the global networks not involved in mergers within the Big Six are consolidating with large local accountancy firms.

"This agreement proves that we are an alternative to the mergers between some of the big international networks," said Jacques Manardo, chairman of Deloitte Touche Tohmatsu France. "We focus on independence, client proximity, local culture and industry expertise."

Patrice de Maistre, chairman of Calan Ramolino, said: "Following the merger announcements within the profession, we have decided to join forces with DTT to speed up the creation of a French alternative to the big and integrated Anglo-Saxon networks."

Calan Ramolino has 330 staff – including 30 partners – and turnover of FFr250m ($42m). The combined firm will have 2,300 staff – with 160 partners – and turnover of FFr1.6bn. It will claim to be the leading auditor of big French companies.

Earlier this month, Deloitte & Touche in the Netherlands – also part of the global network of Deloitte Touche Tohmatsu International – agreed a merger with VB Groep, a specialist in the public and not-for-profit sectors.

Of the Big Six global networks, four are trying to merge to form two mega-firms. Coopers & Lybrand is seeking to merge with Price Waterhouse, while KPMG is trying to combine with Ernst & Young. Although partners have backed the deals, regulators have yet to approve them.

Both DTTI and Arthur Andersen – the accountancy, tax and consulting arm of Andersen Worldwide – have said they want to continue to grow through organic growth and acquisition. They also plan to attract clients from the merging Big Six firms.

Arthur Andersen also believes it will be able to merge with national Big Six firms which do not want to participate in the global mergers. However, the Big Six mergers have so far received overwhelming support from partners around the globe.

This month DTTI posted record annual revenues, of $7.4bn for 1997, up 14 per cent on the $6.5bn of the previous year.

The firm said at the time it would keep away from Big Six mergers. Ed Kangas, chairman, said: "Our results confirm that we have the momentum to remain successful, attract the best people and thrive in today's marketplace."

Citibank Thai target sees top staff quit

By Ted Bardacke in Bangkok

Directors and executives of First Bangkok City Bank, a mid-sized Thai commercial bank, have quit after "consultation" with the country's central bank.

The authorities are eager to see the Thai bank bought by Citibank, of the US.

Citibank has signed a memorandum of understanding to take a majority stake in First Bangkok, although it has described the move as "preliminary" and contingent on a due diligence process to be completed by February.

Pricing of the deal has not been settled.

Analysts say First Bangkok, owned by whisky tycoon Charoen Sirivadhanabhakdi, has been plagued by poor management practices and resistance from some executives to the deal with Citibank.

It is also struggling to fund its operations as short-term debts more than doubled in the third quarter and deposits fell 21 per cent.

The central bank said the Bank of Thailand "didn't force" the management and board changes but "encouraged them for the health of the bank and the financial system".

All commercial banks in Thailand must submit concrete plans for recapitalisation by the end of the year. Given scarce resources in Thailand, most new capital for the banks is expected to come from foreign investors or the government.

The Bank of Thailand was recently granted wide-ranging intervention powers to order changes at struggling financial institutions. It has been quick to use them, ousting management at several finance companies and bringing criminal fraud charges against executives.

Maurey Phadoongsidhi, First Bangkok's new executive chairman and acting president, is former president of the Stock Exchange of Thailand and former deputy finance minister. The central bank said his task was to ensure that negotiations with Citibank were conducted professionally.

Cairo SE abandons 5% fluctuation limit

By Mark Huband in Cairo

Egyptian share prices are to be allowed free movement following a decision by regulators to end a 5 per cent limit on daily price fluctuations.

The pricing committee of the Cairo Stock Exchange has responded to months of criticism by brokerage firms, which had called for an end to what amounted to official manipulation of share prices.

Until the recent decision, no share was allowed to rise or fall by more than 5 per cent on its daily opening price.

To safeguard against unexpected fluctuations, the CSE will be allowed to halt trade in particular stocks while brokers explain marked fluctuations detected by the exchange's increasingly sophisticated surveillance mechanisms.

"We are basically saying that we should allow for supply and demand to interact," said Sherif Raafat, CSE chairman. "We now have a more efficient trading system which can allow us to act if we detect some unusual practice. The pricing committee will be more interactive with the markets."

Suspension of trading under the new practices is likely to be imposed for up to 45 minutes in response to an imbalance between orders and sales for a particular stock.

If the first suspension period fails to restore a balance, a further 45-minute suspension may be imposed, which will lead to suspension for the rest of the day if no balance is likely.

Brokers and fund managers who had campaigned for the 5 per cent limit to be abandoned, yesterday welcomed the decision. Three brokerage companies are represented on the committee which made the decision.

"We can see that the management of the market is becoming more sophisticated, and they are doing away with some of the regulations that were too simplistic," said Aladdin Saba, of EFG-Hermes, the leading Cairo broker.

Timex and Titan end Indian alliance

By Krishna Guha in Bombay

Timex, of the US, and Titan, India's leading watchmaker, have agreed to dismantle their five-year-old marketing and distribution alliance.

Timex will buy Titan's 29 per cent stake in Timex Watches Limited and take direct control of the joint venture, which claims 60 per cent of India's "organised watch market", and about 30 per cent of the overall market. The difference reflects the fact that many watches are sold by unaffiliated roadside vendors.

Titan will develop its own sales, design, marketing and service operations in a move which will increase competition between the two.

It has already cut into Titan's target market through its sales of fashionable sports watches, while Titan recently extended its product range into Timex territory, launching a number of lower-cost models.

Although it could be difficult for Timex to replace Titan's distribution network in India, analysts said that Titan – whose principal shareholder is the Tata Group, India's biggest conglomerate – "could be the bigger loser".

The alliance with Timex secured Titan's domestic market against its most powerful potential competitor and ensured a steady flow of fees in return for marketing and servicing Timex watches. It also enabled Titan to focus on state-of-the-art luxury watches and developing export markets.

For half a decade, Timex and Titan had an informal agreement to carve up the Indian market between them, with Timex selling low-cost watches and Titan concentrating on upmarket products. This gave Timex access to Titan's 4,500 dealers and 60 showrooms, while Titan had an ally with expertise in mass-production of quality watches.

But the alliance has come under strain during the past two years, heightened by disappointing results at Timex Watches Limited.

INTERNATIONAL NEWS DIGEST

Rival US oil groups merge

Ocean Energy, of the US, yesterday confirmed plans to merge with United Meridian, a rival oil and gas producer, and announced a shareholder rights scheme to protect the combined company from takeover. The link, planned as a merger of equals to qualify for tax-free status, would create the world's ninth largest independent exploration and production group, the companies said.

Both chairmen, United's John Brock and Ocean's James Flores, will be granted long-term employment contracts as a condition of the deal. Mr Brock has been nominated chairman; Mr Flores, chief executive. The shareholder rights plan, activated if anyone buys or tries to acquire a minimum of 15 per cent of the new company's stock, includes a provision to enable shareholders to buy Ocean shares at a discount. Management will own 15 per cent of the common stock in the new company, to be called Ocean Energy. It will based in Houston, United's current home.

Under the agreement, each United stock unit will be worth 1.3 shares in the combined company, and Ocean stock is valued at 2.34 new shares. Ocean shares rose $2¾ to $52¾ in morning trading, while United stock fell by the same amount to $29¾. *Christopher Parkes, Los Angeles*

■ TRUSTOR

Court recommends liquidation

A Swedish district court yesterday recommended that Trustor, the Swedish company at the centre of a missing funds probe, be forcibly liquidated. "The court recommends that Trustor is put into liquidation," spokeswoman Marie Schomberg said. She said the court had appointed three people to handle the liquidation.

An Anglo-Swedish investigation was launched into Trustor's affairs in October when it was discovered that SKr620m ($80m) had been removed from the company to the UK. The discovery came after Lord Moyne, also known as Jonathan Guinness, acquired 16.6 per cent of Trustor's equity and 51.9 per cent of the votes. Lord Moyne has denied any wrongdoing, but two of his Swedish advisers have been charged with breach of trust. A third is being sought by police.

Lord Moyne has since sold his shares to a company registered in the Virgin Islands. Trustor has sought to nullify the value of those shares, regardless of who owns them. It has also asked the court for a complete liquidation to protect minority shareholders. *Reuters, Stockholm*

■ FRANCE

GAN sell-off launched

The French government yesterday formally launched the sale of GAN, the state-owned insurer, triggering the final significant insurance group privatisation after those of UAP and AGF. The move, which will take the form of a trade sale, was summarised in a few lines in the government's Official Journal, but the detailed conditions, which will be contained in a formal offer document, are not expected to be released until early January. The sale reflects a pledge given by the previous French government when it announced a FFr20bn-plus ($3.4bn) rescue plan at the start of this year, and which was supported by the current left-wing administration of Lionel Jospin. Candidates to purchase GAN include Swiss Life, Eureko, ING and Fortis, as well as the French mutuals Azur-GMF and Goupama. *Andrew Jack, Paris*

■ DAIRY FARM

Simago sale early next year

Dairy Farm, the food retailing arm of the Jardine Matheson group, said yesterday the proposed sale of Simago, its Spanish supermarket chain, to Centros Comerciales Continente of Spain, would be completed early in the new year. The sale is expected to raise about Pta16.3bn ($109m), according to Dairy Farm. This is sharply lower than the $150m envisaged by analysts in October when the deal was announced. Dairy Farm said the price was still subject to adjustments based on Simago's 1997 trading performance and that, as part of the agreement, Continente would assume Simago's outstanding bank debt at the date of signing. Edouard Ettedgui, group finance director of Dairy Farm, said the carrying value of Simago's net assets at June 30 was about Pta13.3bn. The sale has been billed by Dairy Farm as part of its drive to concentrate investment in the Asia-Pacific region. Simago, acquired by the group in 1990, was lossmaking until last year when it showed a profit before interest of $500,000. *Louise Lucas, Hong Kong*

■ MANUFACTURING

NCR sells assets for $100m

NCR, the US-based computer, automated teller machine and retail IT equipment group, has agreed to sell its manufacturing assets in three cities to Solectron, a contract manufacturing specialist, for $100m. Under the terms of the sale-and-outsourcing deal, NCR will outsource the manufacturing of its computer and retail products to Solectron for at least five years. Solectron will take on about 1,200 of NCR's staff. The three plants are in Columbia, South Carolina, Atlanta, Georgia and Dublin, Ireland and manufacture NCR's computer servers, retail scanners and point-of-sale terminals. *Paul Taylor*

■ INVESTMENT BANKING

FBR lists on NYSE

A US investment bank and initial public offering specialist with ambitions to expand in the UK brought itself to the New York Stock Exchange yesterday. Friedman, Billings, Ramsey Group was ranked sixth among US investment banks in the first 11 months of 1997 in terms of money raised as a lead manager – $1.82bn. It plans to launch a UK investment banking operation early next year, with an emphasis on financial services transactions.

FBR also announced a "strategic alliance" with Pittsburgh-based PNC Bank Group, which has taken a 4.9 per cent stake. At its $20 offering price, FBR, based in Arlington, Virginia, has a market value of about $1bn. The shares opened at $21¾ and were trading at $20¾ at midday. *Clay Harris, Banking Correspondent*

■ MALAYSIA

MRCB ditches media plans

Malaysian Resources (MRCB), the conglomerate, is withdrawing plans to restructure its media interests. Analysts said the change reflected the group's financial troubles, but MRCB said yesterday that the authorities would not consider its application for an exemption from rules on bidding for the remaining shares in the companies. The planned restructuring would have given MRCB 82 per cent of Sistem Televisyen Malaysia, known as TV3 – which, in turn, would have owned 51 per cent of New Straits Times Press. Malaysian law requires any buyer of more than 33 per cent of a listed company to make an offer for its remaining shares.

Analysts said the waiver had been denied and the deal called off because of the financial burden it would have placed on MRCB, which last week was late in making a loan payment. MRCB said it had made the payment on Thursday on a $250m bridging loan, but was in talks with bankers to restructure the loan. *Sheila McNulty, Kuala Lumpur*

Sears sells footwear chain to Brantano

By Peggy Hollinger in London and Emma Tucker in Brussels

Sears yesterday all but closed the book on its history as Britain's leading footwear retailer with the announcement of the sale of its out-of-town shoe chain, Shoe City, to Brantano of Belgium.

Brantano, an out-of-town shoe retailer which claims 9 per cent of its home market, is buying 44 Shoe City sites and the accompanying stock for a minimum of £6m ($9.9m).

Of this amount, £1m is deferred for three years and the consideration could rise to £7m, depending on the performance of Brantano's shares.

It is Brantano's first big move overseas and could have a significant effect oh the already depressed UK footwear market.

"Continental out of town footwear stores are very discount-oriented," said one analyst. "Shoe City never really got to grips with that, probably because they sourced badly. Now we might see someone sourcing more aggressively."

Joris Brantegem, chief executive of Brantano, said Shoe City was "a unique opportunity and fits perfectly within Brantano's strategy for international expansion".

The group, which has 103 outlets, will keep 1,250 Shoe City employees. Sears said it would try to redeploy as many of the remaining 650-700 employees as it could in other parts of the group.

For Sears, the deal is the last but one in a series of disposals from the break-up of British Shoe Corporation, the shoe retailer and manufacturing business built up by the company's founder Sir Charles Clore. At one time the Sears conglomerate sold one in four of every pair of shoes worn in Britain.

Sears said the deal would result in a loss on disposal of some £27m, and a positive cash flow of about £9m. The costs include the closure and disposal of Shoe City's remaining 39 stores.

The group said it was confident it would soon be able to announce the sale of the last remaining shoe business, Cable & Co, which was profitable and had attracted several offers.

Sears shares closed 1p up at 50½p.

Analysts said it now appeared that Sears had been able to exit its loss-making shoe business within the £150m provisions set earlier this year.

Also, the group had achieved the deals to sell Shoe City, Dolcis and the shoe concessions without adversely affecting its cash position.

However, they said the deal would now force investors to focus on the performance of the core businesses, women's wear and the department store Selfridges, which would be demerged next summer.

Some analysts feared trading could prove disappointing and affect sentiment surrounding the demerger. "It is not the end of the bad news flow from Sears at all," said one.

Failure to disclose Morris Ashby was in talks leads to critisicm of stockbroker

Panel issues rebuke to Williams de Broë

By Andrew Edgecliffe-Johnson

The Takeover Panel yesterday delivered a rare public rebuke by criticising Williams de Broë for failing to alert it that a client was in takeover talks while its shares were rising sharply.

The Panel concluded that the stockbroker breached the city takeover code when it failed to report bid discussions at Morris Ashby, which coincided with a 23 per cent rise in the die-casting group shares.

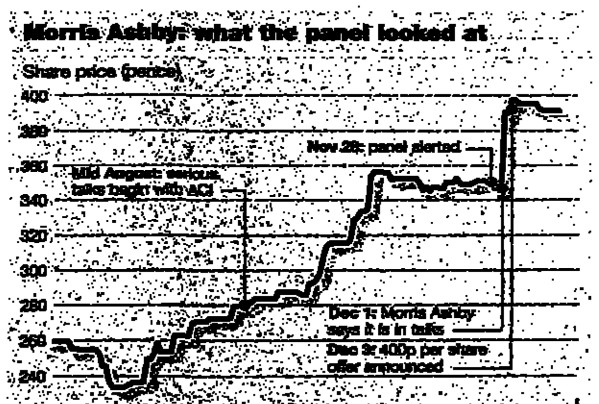
Ian Stanway, the Williams de Broë corporate finance director who led the bid team, said: "We feel this treatment was rather harsh."

He argued that a private letter from the Panel would have been a more appropriate way to get its message across than a public notice "which has drawn attention out of all proportion to the offence."

Carlton Evans, secretary to the Panel, said however: "The message is that we regard the making of timely announcements as being extremely important in order to prevent false markets and insider dealing."

Mr Stanway said: "We are absolutely convinced there was no false market." The Stock Exchange said it always investigated "unusual" share price movements, but Williams de Broë said it had not been questioned by the exchange during the bid.

The Panel's attention focused on the rise in Morris Ashby's shares from 280p in mid August, when it began serious bid talks with Automotive Components Investments of the US, to 345p on November 28, when the Panel's executive was first told about the bid by ACI's advisers.



On December 1, after a 14p one-day rise in Morris Ashby's shares, the company admitted publicly that it was in talks.

Two days later ACI announced a 400p recommended bid.

Mr Stanway said: "We monitored the share price extremely carefully but were convinced that every share price movement was wholly attributable to other events." These included positive reaction following preliminary results on July 8 and a lack of liquidity in the shares.

The Panel said such explanations might be "plausible", but it was "of the utmost importance" that the Panel should be consulted about any share price rise of 10 per cent or more.

The Panel accepted that there was no deliberate attempt to prevent it from making its own judgment, "nevertheless it had that effect."

Such statements by the Panel are infrequent. In February it concluded that Barings, the adviser to Applied Distribution, had breached the code by not alerting the Panel of a steep share price rise until shortly before the company announced that it had received takeover approaches.

In March it criticised BZW "for failing to disclose all relevant facts" about its performance fees when it asked for permission to buy shares in its client, Northern Electric.

Factory delays behind drop at Acatos

By Andrew Edgecliffe-Johnson

Acatos & Hutcheson, the edible oils and fats manufacturer, admitted yesterday that further "distressing" delays to its plan of opening Europe's lowest-cost vegetable oil facility were still weighing on profits.

A fall in pre-tax profits from £7.7m to £5.8m ($9.6m) in the year to September 28, when turnover fell from £282m to £277m, left the full-year dividend uncovered by earnings and knocked the shares down 26p to 259p.

Profits from continuing operations were 8 per cent lower at £5.2m because of problems at its Orchard Place plant in the Thames Estuary, which had been due to open early in 1997.

Ian Hutcheson, chairman, said: "It is very distressing for me once again to have to report failure to meet even revised deadlines for the Orchard Place refinery upgrades and automation, and the associated full commissioning of the new bakery fats and retail margarine factory."

It had been difficult to get customers' approval for supplies from the new plant over the Christmas period, he added. The problems would continue to take "a very considerable toll" on profits during the first half.

The group, which is cutting more than 200 jobs in the closure of its Bootle and Trafford plants in the north of England, has incurred costs of at least £6m because of the delays.

Colin Campbell, the new finance director, predicted that "the vast majority" of production would move to the new site by February.

The Britannia Refining associate, which makes chocolate fats, incurred a "substantial but reducing" loss, while the soft oil division performed well.

Mr Hutcheson, who has taken on an executive role since a boardroom clear-out in August and owns 10 per cent of the group, said he expects to drop this function within the year. "My incentive plan is the share price and dividend," he added.

An unchanged final dividend of 6.5p makes a total of 10.5p (10p), payable from earnings per share of 9.5p, down from 14.5p in 1996 when the outcome was helped by disposal profits.

Reckitt expands in US

By Roger Taylor

Reckitt & Colman, the consumer products group, has bought four US cleaning product brands for $160m from SC Johnson.

The deal will increase the company's US sales, giving it the number two product in window cleaning and prewash stain removers. Reckitt is buying only the brands and net assets worth about $7m. Manufacturing will be transferred to Reckitt's existing facilities.

Annual sales from the brands are $131m and they are expected to make a profit contribution of $16.2m.

The deal will lift Reckitt's US sales by about 10 per cent to 36 per cent of the total.

The company said the deal would help fill some gaps in its portfolio of brands and was in line with its strategy of managing niche products with first or second place in their markets.

The four brands are Spray'n'Wash, Glass Plus, Vivid and Yes.

They were originally part of the consumer products division of Dow Chemicals, the US chemicals group, which was sold recently to SC Johnson.

SC Johnson is now selling on those brands that do not fit with its business or which are likely to lead to objections from the competition regulators.

Kick-boxing versus kindliness

Andrew Davis contrasts leadership styles at printers Quebecor and Watmoughs

No one could accuse Charles Cavell, the president and chief operating officer of Quebecor Printing, of being afraid of confrontation.

"The Marquis of Queensberry's rules don't apply to the market today – it's kick-boxing and kung fu," says the head of the Canadian company.

So, early this month he stepped into the arena to attempt to wrestle Watmoughs, the UK printer, into submission with a £188m ($310m) hostile bid.

This is indeed a clash of styles.

For Mr Cavell, his British target is hide-bound, longs for the good old days and is seemingingly unable or unwilling to face today's harsh market realities.

"There's no place to hide and there's no safe corner in a competitive marketplace," he argues. It is a jungle out there, and Mr Cavell is determined to be the one doing the hunting.

Such comments throw into relief the contrast between Mr Cavell and Patrick Walker, chief executive of his UK target. At times it could hardly be greater.

Quebecor's head is full of brash confidence and a relish for competition red in tooth and claw. "This is a good base and this is an excellent market and I am going to expand here. It's that simple," Mr Cavell stated on December 3, when the bid was launched.

Mr Walker, by comparison, can seem retiring and short on the aggression his opponent believes is vital.

His is a kindly presence, brought back from the brink of retirement to take the reins once again at Watmoughs after Declan Salter, his chosen successor, left the group unexpectedly in the summer.

Mr Walker explains his return to the helm of the company, where he has worked for more than 50 years, in highly personal terms, a style unimaginable in Mr Cavell: "I really believed and believe in this company . . . I was not prepared to see my life's work shattered because of a set of unfortunate circumstances."

The company has been battered this year by the strong pound and paper prices which were lower in continental Europe than the UK – profits and the shares have fallen sharply, making it an attractive target.

But despite facing a larger, more aggressive predator – and one quicker to coin a memorable phrase – Mr Walker and his team believe they have advantages.

He cites longstanding relationships with key clients, and a concentration on time-sensitive work that means European competitors – including Quebecor's continental European operations cannot compete because they cannot get work across the Channel on time.

For Mr Walker, the market is competitive, but kung fu is not yet a skill he feels he needs.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Acatos & Hutcheson	Yr to Sept 28	277.3	(281.9)	5.84	(7.66♥)	9.5	(14.6)	6.5	Apr 6	6.5	10.5	10
Anglesey Mining	6 mths to Sept 30	-	(-)	0.085L	(0.042L)	0.1L	(0.1L)	-	-	-	-	-
Bailey (CH)	6 mths to Sept 30	2.19	(2.68)	0.46L	(0.291)	0.77L	(0.48)	-	-	-	-	0.25
Crown Leisure	Yr to Sept 30	34	(26.7)	1.38♠	(1.37)	4.9	(5.9)	0.75	Feb 26	-	1.5	-
Fayrewood Φ	6 mths to Oct 31	20.3	(2.24)	0.485	(0.103)	2.14	(1.42)	0.5	Feb 5	0.4	-	1.2
Jacques Vert	53 wks to May 3	44.9	(42.7)	9.45L♠	(5.04L♠)	61.7L†	(41.2L)	nil	-	nil	nil	nil
Premier Health	6 mths to June 30	3.08	(3.1)	0.529L	(0.361L)	6.9L	(4.7L)	-	-	-	-	-
Sperati (CA)	Yr to Oct 31	1.09	(1.06)	0.11	(0.092)	82.12	(67.01)	25	Apr 9	25	25	25
Stewart & Wight	6 mths to Sept 30	0.272□	(0.25□)	0.233	(0.219)	10.38	(9.4)	-	-	-	-	8.5
Villiers	Yr to July 31	5.36	(1.97)	1.23L♠	(0.153)	1.03L	(0.11)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dunedin Worldwide	Yr to Oct 31 ★	200.46	(190.08)	4.23	(5.02)	2.52	(3)	1.57	Feb 4	1.42*	2.05	1.9*♦
Healthcare Reform	13 mths to Oct 31	102	(-)	0.066L	(-)	0.34L	(-)	-	-	-	-	-
Jupiter Geared	6 mths to Sept 30	87.39	(78.63§)	0.694	(0.601)	4.96	(4.29)	1.5§§	Dec 31	1.463	-	7.998
St David's	Yr to Nov 30	338	(246)	1.53	(1.47)	18.62	(17.96)	10⚹	Dec 31	8	19	17♦
Second St David's	Yr to Nov 30	-	(-)	-	(-)	-	(-)	8	Jan 31	-	17	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. □Gross rental income. ★Comparatives restated. *After adjustment for scrip issue. ♦Excludes special. §At March 31. §§Second interim; makes 2.9p to date. ⚹Includes foreign income dividend element.

NEWS DIGEST

Lloyds TSB in US factoring sale

Lloyds TSB Group said yesterday it expected to make a £160m ($264m) pre-tax profit on the sale of one of its factoring operations to BNY Financial Corp, a subsidiary of Bank of New York.

The UK bank's Lloyds Bank Factors subsidiary is selling International Factors, which offers domestic and export factoring and invoice discounting services to small and medium-sized businesses. It had total assets of £817m at November 30.

The profit, which will be taken in the half year to next June, represents the premium over net assets, which stood at just under £5m on November 30. The final price will be based on year-end assets. International Factors was founded in 1960 and bought by Lloyds for £700,000 eight years later.

The disposal is intended to eliminate duplication created by the Lloyds-TSB merger, which resulted in three separate operations in the sector. The other two, Alex Lawrie and TSB Commercial Finance, will be retained. *Clay Harris*

Eurosov postpones flotation

Eurosov Energy, a Russia-oriented oil developer, has postponed its flotation until the end of January. The company, which is seeking to raise £15m ($24.8m) via a fully underwritten placing, said the original plan to list before Christmas had proved too ambitious.

Jonathan Stewart, chief executive, said there was sufficient support for the listing but not all the institutional investors that the company wanted on board were ready to move by the original date.

The issue price is expected to be 115p-130p a share, giving a market capitalisation of £40m-£44m.

Mr Stewart said the delay would not affect operations or development drilling at the Magma fields in western Siberia. The company hoped to lift output from 2,645 b/d to 20,000 b/d by 2000 and planned £31m capital expenditure in the next two years. *Robert Corzine*

Micro Focus US purchase

Micro Focus, a software house with quotes in London and on Nasdaq, has agreed to buy privately held XDB Systems of the US, a provider of development, maintenance and connectivity tools, for the DB2 database standard.

Holders of XDB shares will receive Micro Focus shares based on a formula which values XDB at $13.4m. There will be a further payment of $3.1m for certain assets of XDB. The value of shares to be issued will depend on the mid-market price of Micro Focus shares in the 30 trading days prior to the closing date, expected to be on January 15.

In the year to January 31, XDB lost $3.2m on sales of $10.1m and had assets of $13.1m.

First Call recommends offer

KanDo Group, a subsidiary of LM Loyalty Management Holdings, yesterday made a recommended cash offer for First Call, valuing the ticket and management services company at £7.35m. The offer values each First Call share at 10.25p, representing a 64 per cent premium to the closing price on December 19, the last day prior to the offer announcement.

The shares closed yesterday up 3¾p at 10p.

Acceptances representing 63.24 per cent of First Call's equity have been received from its directors and other shareholders.

KanDo is the UK subsidiary of LMH, which is based in Netherlands Antilles. Through international divisions it operates customer loyalty programmes using the Air Miles concept. Smith & Williamson is acting on behalf of KanDo, and Charles Stanley has advised First Call.

Vymura signs Benetton deal

Vymura, a wallcoverings maker, yesterday signed a licensing agreement with Benetton, the Italy-based multinational fashion house, to produce a range for the UK market.

The deal is worth up to £10m ($16.5m) in sales over five years. It is the first time a British company has brought a home furnishing product to the UK market under the Italian company's label.

Critchley buys in France

Critchley Group, which makes cable identification products and components for the electrical and telecommunications industries, has acquired Groupe Riondet-Malbert, a French specialist manufacturer, for FFr77m ($12.9m).

In the year to November 1997, Riondet-Malbert's sales were FFr75m and profits were FFr10m. The net assets acquired are about FFr14m.

Watts expands in Germany

Watts, Blake, Bearne & Co, the clay mineral mining group, has agreed to buy a quarry and a mineral rights concession, both in the Westerwald region of Germany, for £10.2m ($16.8m) cash from Keramchemie. Half is payable immediately and the remainder at the end of next year.

Recent drilling has indicated about 10m tonnes of reserves of fine ceramic clays at the two sites.

The Three Wise Men were the world's first-ever management gurus, says **Richard Donkin**

Kings bearing mission statements

Balthasar checked the astrologers' notes and looked through his telescope. There was no mistaking the sign; a publisher's contract if ever he'd seen one. His work was complete. He suspected he could improve on the title, *Exemplary Leadership*, but there would be plenty of time on the way.

Melchior was saddling his camel. He felt more confident about the heading for his own book, *The Soul of Management*, blending empathy with social responsibility. Caspar, meanwhile, was struggling for inspiration. *Concepts of Empowerment for the First Millennium* was a bit of a mouthful.

The three gurus made their way to Jerusalem following not one star, but the seven stars of superior performance – status, sacrifice, synergy, selflessness, self-confidence, self-discipline and self-awareness laid down by Balthasar in his best-selling work, *In Search of Alliteration*. "Hyphens are cheating," said Caspar. "That way you could get 20 or 30 really good qualities without trying. Anybody could do that."

"That's my next book, *In Search of Self-management*," said Balthasar. "It outlines the 30 characteristics of self."

"Too many," said Caspar who preferred to use boxes, curly arrows and inverted pyramids in his work while Melchior was wedded to his Mastering Messiah Matrix and the strategy trees he described in *The Empty Tunic*.

Their consultation with Herod did not go well. He declined a suggestion of a 360 degree appraisal. As a non-executive appointment from Rome, he was concerned that his position might be vulnerable to institutional pressures.

He was, however, attracted to their description of re-engineering and ordered an immediate, if drastic, downsizing programme involving all males under the age of two. "It's a form of succession planning," he cried as he watched the sages depart in the direction of Bethlehem. And so it came to pass that the three wise men arrived at the manger and beheld the newborn baby.

"What he needs is a mission statement that outlines a sense of vision," said Balthasar who held that strategic vision, shared values and a focus on creative culture were the three essentials of organisational leadership. "He also needs a decent office," he said, looking around at the hay-strewn stalls with donkey, sheep and lowing cattle.

Melchior disagreed. "This is the virtual Messiah. He doesn't need offices, company camels or grand titles. His organisational structure will demand that you take up your bed and walk to the next assignment. I call it hot stabling."

The three men consulted on the mission and tossed around a few ideas such as: to create a new religion or to do great deeds but they settled on: to be the best. "We can develop it later," said Melchior. "The most important thing about the mission statement is the process you go through in arriving at a suitable form of words. The idea is to distill your aims and values, allowing you to focus on a growth strategy built around a clear goal."

"We shall also need a competency framework if we are to establish training and development inputs supported by internal mentoring and coaching."

"Shouldn't we leave that to the parents?" asked Caspar.

"Ordinarily," said Balthasar, "But this boy will be on a fast track, moving through a series of projects. He's going to need early international experience – Egypt should do. Is the flight booked? And there will need to be some form of benchmarking."

The gurus trawled their databases for the best people in their respective fields. They listed Moses, Elijah, David and John the Baptist against a table of hard and soft measures of achievement – miracles, parables, raising the dead, feet washing, transmogrification.

"What about generalship?" said Balthasar.

The gurus pondered the question. Generalship could be a problem, considering the successes of Alexander the Great, Hannibal and Julius Caesar. "Don't forget Sun Tzu," said Caspar. "I've done a book about him."

"We all have," said Melchior.

"The question is, just what kind of leader are we looking for – the old style command and control type or someone who has more of an enabling approach?" said Balthasar. "We must concentrate on core competencies. This man is going to need good interpersonal skills if he's going to get people to buy into a global change programme."

"Have you thought about a shepherd?" said a voice from the back of the manager. The Three Wise Men could just make out a figure in the light of the glory that was shining all around. It was a shepherd. "We were out watching our flocks by night when an angel of the Lord came down and told us not to be afraid but to come over here where we would meet the new Messiah. It seems to me that a shepherd would make a fitting role model," he said.

"He has a point," said Melchior, mentally constructing a new chapter in his book he would call "shepherding your employees towards outstanding shareholder value". He liked the flock metaphor.

"The problem with the shepherd," said Balthasar, "Is that it would mean the end of smiting down." They shuffled uneasily. Smiting down had been an effective way of achieving an immediate improvement on the bottom line.

"I always thought that smiting was a short-termist solution. It's time we ended begatting and the rest of the Old Testament jargon. The emerging language of people management could draw on farming terminology. The new leaders will be shepherds and fishers of men," said Melchior.

"So the defining source of competitive advantage for the Messiah will be the way he treats his people. Communications and people skills are essential. He has to be able to deliver a sermon to 5,000 if necessary.

"This man can cut through the hierarchical structure if he builds himself a great team. He will have the ability to re-invent himself. He's not going to need IIP (Investors in Pharisees) status. But he will need a workable recruitment policy, supported possibly by a battery of tests and action learning. I think it more important he goes for the right kind of fit – fishermen, shepherds farming types, practical people."

"Like us," said Caspar.

He did not notice the uncontrolled burst of mirth from the shepherds. "We haven't yet discussed reward strategy," he said. "I think it should be based on defined performance measures. But how do we judge? Numbers of converts, good deeds, miracles, lives saved? What about bonus and should we put in place a long-term incentive scheme to align his aims more closely with those of his stakeholders."

"I don't think that will be necessary," said the shepherd. "But he could use your gold, frankincense and myrrh." And so it was that the gurus left their gifts and outlined a modest outplacement package to deal with the Herod restructuring. The case study was related later in what would become the bestselling management guide in history. But they didn't write it.

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IT/ BANKING FINANCE & GENERAL APPOINTMENTS

INTERNATIONAL COMPANIES AND MARKETS

Sappi shares lifted by reorganisation

By Mark Ashurst in Johannesburg

Shares in Sappi, the South African pulp and paper producer, rose yesterday following Monday's announcement that it would set up a new head office in London to manage its international fine paper interests.

The shares closed up R1.15 at R24.50 in Johannesburg, still well below the R43.85 level at which Sappi struck a cash and share deal in September to buy the KNP Leykam operations of KNP BT, the Dutch packaging and distribution group.

The Dutch group last week announced it would take a Fl 300m ($61.8m) extraordinary charge to cover the book loss on its 20 per cent stake in Sappi, which it received as part of the $746m sale to the South African group.

KNP BT said it would book the share value in its year-end accounts at R27.50, the average price of Sappi shares in the four weeks before the announcement of the charge.

Meanwhile, analysts said that the restructuring could herald a separate listing for the group's fine paper interests.

These could be listed eventually in London or New York, once the company had established a higher profile and track record.

Eugene van As, chairman, said the new company, which would be registered in the UK, would be a wholly-owned subsidiary of the Johannesburg-based group.

"We want to make our fine paper business more visible and give the financial markets a clear understanding of the keen focus we now have on fine paper-making," he said.

All Sappi's fine paper interests would be moved into the new London-based company.

These include 16 paper mills, including those operated by SD Warren in the US; Sappi Europe, which includes the German subsidiary Hannover Papier and a mill at Blackburn in the UK; KNP Leykam, and Sappi Southern Africa.

The company will trade under a new name, which has still to be decided.

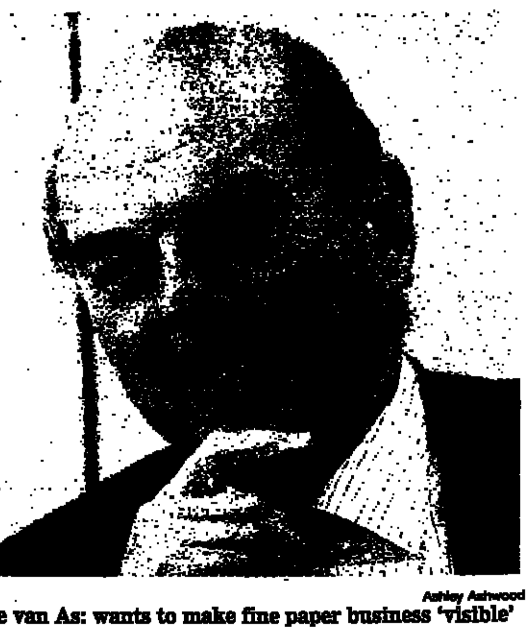
The mills will have a combined annual output of about 4m tons and a turnover of approximately $4bn.

Mr van As said the new company would hold a 25 per cent share of the western market for coated wood-free paper, which is used in high quality publications such as company reports and glossy magazines.

It would also be the single largest exporter of these grades to south-east Asia, he said.

Sappi holds 60 per cent of the southern African market for coated wood-free paper, with a further 26 per cent in the US market and 22 per cent in Europe.

The group's African interests include Sappi Saiccor, which supplies about 15 per cent of the world's dissolving pulp used to manufacture viscose.



Ashley Ashwood

Eugene van As: wants to make fine paper business 'visible'

JP Morgan in $9.72bn credit default scheme

By Edward Luce

J. P. Morgan has purchased $9.72bn of credit default protection on a wide range of its security holdings in an innovative credit swap agreement.

The swap, which involves transferring the risk on the bank's holdings to a legally separate vehicle called Bistro (Broad Index Secured Trust Offering), is probably the largest credit protection agreement to date.

Under the transaction, Bistro has launched $697m worth of bonds split between a senior and a subordinated tranche.

The bonds are collateralised by the equivalent amount in US Treasury bonds, which were purchased with the proceeds of the original bond issue.

In return for hedging itself against the possibility of default on the 307 separate securities listed under the credit swap, J.P. Morgan will pay a fixed amount to the trust over its lifetime.

Bankers said the deal reflected a growing trend for banks to adopt a more sophisticated risk management approach to their securities portfolios.

In addition to providing a hedge against default on its holdings, credit default protection enables the buyer to free up capital which had been previously set aside against the risk of default. This enables the bank to boost its return on capital – an important objective in an increasingly competitive sector. "We are likely to see many more deals of this nature and size in the next few months," said one banker in London.

Credit default agreements have recently become increasingly popular among investment banks and leveraged funds as a form of disaster protection.

It also gives the holder the opportunity to write their own default protection agreements on the same paper on which they have bought protection in the first place. If the price of the security has fallen they can charge more for the protection and pocket the difference.

The senior $460m tranche was launched at a spread of 60 basis points over Treasuries. The subordinated $237m tranche was launched at a spread of 375 basis points over Treasuries.

The agreement is between Bistro and Morgan Guaranty, a wholly-owned subsidiary of J.P. Morgan.

Ukraine receives boost from discount T-bills

By Tiffany Carlsen in Kiev

Ukraine's Treasury bill market received a boost this week with the sale T-bills via Merrill Lynch, the US investment bank.

Ukraine experienced a sharp increase in the sale of two- and nine-month OVDP discount T-bills on Tuesday, raising a total of 146m hryvna ($77m), the central bank said.

Demand was strongest for the nine-month paper, while three- and one-year T-bills failed to sell at an acceptable price, the bank said.

Ukraine last week successfully completed the sale of 750m hryvna worth of T-bills, a trader at Merrill Lynch said.

The trader said the T-bills were "oversubscribed and distributed to a large range of international investors". Merrill Lynch became the designated international agent for sales of nine- and 12-month bills on December 19.

The sale of the T-bills, which were sold at yields of 44 per cent, was an attempt to bail Ukraine out of its financial difficulties and help restore foreign investors' faith in Ukraine's T-bill market.

● The Ukrainian Interbank Currency Exchange (UICE) will today begin futures trading of the national currency against the US dollar, Russian rouble and D-Mark.

The move is an attempt to help investors feel more secure in Ukraine's fluctuating market.

According to Ihor Seliverstov, UICE's first deputy director, the UICE plans to start trading three-month contracts for $1,000, DM1,000 and 1,000 roubles at 2pm Ukrainian time.

Mr Seliverstov said it was the first attempt at futures trading of the hryvna in Ukraine.

"I don't expect too much trade activity because [it's] the end of the year," he said.

"But I do expect in the long run this will be quite a rapidly developing market with high demand."

The new market is an attempt to provide investors with a way of hedging their capital in Ukraine, he added.

The official rate of the hryvna is set daily by the UICE.

Yesterday it was unchanged at $1.8960.

Gilts benefit from 'flight to safety'

GOVERNMENT BONDS

By Simon Davies in London and John Authers in New York

European government bond markets moved higher in thin trading yesterday, as the Korean crisis deteriorated. The further weakness of the Japanese stock market, and collapsing Korean currency and bond prices, encouraged the so-called "flight to safety".

Kit Juckes, bond strategist at NatWest Markets, said: "We've been winding back interest rate expectations in Europe over the past two months, and it is underpinning this steady upward movement in bond prices. All the big stories at the end of the year are pointing to no inflation."

UK GILTS hit an all-time high, and the March contract settled at 121 28/32, 4/32 off its high but 13/32 up on the day. However, volumes remained weak, with just 24,000 contracts traded.

In the morning, trade data highlighted the impact of strong sterling on the economy, and the short sterling market suggested expectations that interest rates may have peaked. The yield spread against bunds narrowed to 108 basis points.

GERMAN BUNDS also benefited from Asian gloom, with the March contract in London settling 0.15 higher at 105.05. The yield curve continued to flatten, but there was little market activity, with volumes of just 37,000 contracts in the March future.

ITALIAN BTPs remained the strongest performer of the European markets, as investors responded to the low inflation data, released the previous evening.

Expectations of an interest rate cut were fulfilled after the market closed. The March contract in London settled 0.34 higher at 116.54. Meanwhile, the yield spread against bunds narrowed by three basis points to 32 basis points – just four more than Spain.

Meanwhile, the New York bond markets were unmoved by the turmoil in Asia. After initial gains, **US TREASURY** prices were virtually unchanged from their opening level across the yield curve by mid-session.

At 1.00pm, the benchmark 30-year treasury bond was unchanged at 103 7/32, yielding 5.879 per cent. There was little movement at the short end, with the two-year bond also unchanged, and yielding 5.675 per cent.

Supply considerations weighed on the market, with an auction of $11bn in five-year notes due in the afternoon. However, healthy demand was expected, given the continuing worries over Korea.

There was also interest in a range of US economic data, with a sharp rise in durable goods orders in November counter-balanced by news on retail sales. Indications that sales over the holiday season were slow helped assuage fears the economy might be overheating.

There was also cheer from the Commerce Department's downward revision of third-quarter gross domestic product figures. It now estimates the economy grew at 3.1 per cent in the quarter, compared with an original estimate of 3.5 per cent.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Dec 23	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.4532	5.38	-0.03	-0.06	+0.35	-0.67
	10/07	10.000	129.3031	5.96	-0.05	-0.12	-0.01	-1.46
Austria	09/99	7.000	104.2900	4.36	+0.02	-0.08	-0.17	+0.59
	07/07	5.625	102.3600	5.30	-0.03	-0.07	-0.31	-0.54
Belgium	01/00	4.000	99.4600	4.27	-0.03	-0.15	-0.07	+1.04
	03/07	6.250	106.5100	5.34	-0.04	-0.08	-0.32	-0.56
Canada*	09/99	4.750	99.2600	5.19	-0.06	-0.05	+1.09	+1.10
	06/07	7.250	111.6000	5.63	-0.03	-0.07	+0.19	-0.76
Denmark	12/99	6.000	102.8600	4.44	-0.02	-0.12	-0.33	+0.43
	11/07	7.000	110.5700	5.58	-0.02	-0.11	-0.41	-0.98
Finland	01/99	11.000	106.9720	4.09	+0.02	+0.02	-0.17	+0.33
	04/06	7.250	112.4960	5.34	-	-0.11	-0.39	-0.95
France	01/00	4.000	99.7000	4.16	-0.02	-0.16	-0.21	+0.66
	10/04	6.750	110.3200	4.93	-0.02	-0.09	-0.33	-0.28
	10/07	5.500	102.0400	5.23	-0.02	-0.06	-0.29	-0.54
	10/25	6.000	102.7300	5.80	-0.02	-0.02	-0.27	-0.94
Germany	09/99	4.000	99.9000	4.05	-	-0.10	-0.19	+0.60
	11/04	7.500	113.9700	5.04	-0.02	-0.09	-0.25	-0.39
	07/07	6.000	105.5800	5.24	-0.01	-0.05	-0.28	-0.55
	07/27	6.500	109.3400	5.83	-0.01	-0.03	-0.28	-0.85
Ireland	04/99	6.250	101.5500	4.94	-0.01	-0.09	-0.44	-1.05
	08/06	8.000	117.0500	5.47	-0.02	-0.11	-0.49	-1.25
Italy	05/00	6.000	102.7600	4.75	-0.07	-0.21	-0.42	-1.69
	05/02	6.250	104.7200	5.03	-0.08	-0.21	-0.44	-1.74
	07/07	6.750	109.3500	5.47	-0.08	-0.18	-0.46	-2.10
	11/26	7.250	117.8000	5.96	-0.08	-0.18	-0.49	-2.13
Japan	03/00	6.400	112.7300	0.62	-0.01	+0.02	+0.23	-0.03
	12/02	4.800	117.0300	1.26	-	+0.01	-0.01	-0.46
	09/05	3.000	109.3300	1.70	-0.01	+0.01	-0.10	-0.66
	09/17	3.000	107.1700	2.54	-	+0.02	-0.12	-0.67
Netherlands	11/99	7.500	105.8300	4.21	-0.03	-0.15	-0.14	+0.81
	02/07	5.750	103.9400	5.20	-0.01	-0.08	-0.29	-0.50
New Zealand	02/00	6.500	97.6140	7.74	-	+0.14	+0.90	+0.70
	11/06	8.000	108.1783	7.04	-0.03	-0.08	+0.42	-0.26
Norway	01/99	9.000	104.8000	4.41	+0.01	+0.03	+0.01	-0.07
	01/07	6.750	109.3400	5.42	-	-0.05	-0.27	-0.87
Portugal	03/99	8.500	104.4706	4.68	-0.04	-0.11	-0.22	-1.34
	02/07	6.625	107.6113	5.54	-0.03	-0.11	-0.36	-1.40
Spain	07/99	7.400	104.4312	4.43	-0.06	-0.17	-0.28	-1.35
	03/07	7.350	113.4188	5.46	-0.04	-0.12	-0.37	-1.50
Sweden	01/99	11.000	105.9840	5.09	+0.02	+0.01	-0.05	+0.49
	08/07	8.000	114.7180	5.94	-0.02	-0.04	-0.30	-0.84
Switzerland	03/00	5.000	106.7000	1.87	-	-0.14	-0.22	-0.21
	08/07	4.500	110.3500	3.21	-	-0.12	-0.34	-0.67
UK	09/99	6.000	98.8906	6.72	-0.05	-0.10	-0.31	+0.06
	11/04	6.750	102.2891	6.34	-0.04	-0.06	-0.32	-1.03
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing. *New York mid-day. [illegible] Source: Interactive Data/FT Information

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	101.62	101.76	+0.20	101.78	101.50	28,725	136,474
Jun	101.02	101.16	+0.20	101.02	101.02	2	125
Sep	100.78	100.92	+0.20	100.78	100.78	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
96	5.76	5.76	5.16	-	0.03	0.07
97	4.76	4.77	4.24	-	0.04	0.14
98	3.76	3.81	3.38	0.01	0.08	0.27
99	2.79	2.88	2.60	0.04	0.14	0.47
100	1.84	2.00	1.92	0.09	0.26	0.78

Est. vol. total, Calls 3,896 Puts 5,347 . Previous day's open int., Calls 63,401 Puts 80,414 .

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.85	105.05	+0.15	105.16	104.89	38258	247033
Jun		104.46	+0.15			0	1144

■ BUND FUTURES OPTIONS (LIFFE)-DM250,000 points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
10500	0.53	0.82	0.76	1.04	0.48	0.77	1.30	1.58
10550	0.30	0.58	0.57	0.83	0.75	1.03	1.61	1.87
10600	0.14	0.40	0.42	0.66	1.09	1.35	1.96	2.20

Est. vol. total, Calls 2158 Puts 1763. Previous day's open int., Calls 119189 Puts 125967

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.49	104.51	+0.09	104.57	104.43	31,179	185,829

■ NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.50	104.51	+0.11	104.55	104.43	2,549	29,823
Jun	-	103.93	+0.11	-	-	-	-

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Dec 22	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	104.2135	6.18	+0.01	-0.05	+0.46
NY Tel	08/25	7.00	A+	99.4739	7.04	-0.01	-0.08	+1.15
CWE	05/08	8.00	BBB	109.6076	6.69	-0.01	-0.09	+0.98
■ FINANCIALS								
GECC	05/07	8.75	AAA	117.2820	6.28	-0.01	-0.11	+0.57
Banc One	08/02	7.25	A+	104.0431	6.22	+0.01	-0.05	+0.52
US West	01/07	7.30	BBB+	103.9197	6.71	-	-0.16	+1.00
■ INDUSTRIALS								
WMX Tech	04/99	6.25	A-	99.7730	6.42	+0.02	+0.15	+0.73
Wal Mart	05/02	6.75	AA	102.3705	6.12	+0.01	-0.04	+0.42
Dayton Hud	06/21	9.70	BBB+	131.0375	6.98	-0.03	-0.16	+1.09
■ AGENCIES								
FHLMC	04/07	7.14	N/A	107.7481	6.03	-0.01	-0.09	+0.32
SLMA	03/00	7.50	N/A	103.3583	5.85	+0.03	+0.01	+0.77
FNMA	02/18	8.95	N/A	130.0962	6.29	-0.02	-0.15	+0.40
FFCB	06/06	8.95	N/A	119.1005	6.02	-0.01	-0.09	+0.31
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	100.0000	0.00	-	-	-
AK Stl	12/01	9.13	BB-	102.2500	0.00	-	-	-
Pacalta	06/04	10.75	B-	97.5000	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

		One month	-	Two year	5.67
Prime rate	8½	Two month	-	Three year	5.69
Broker loan rate	7¼	Three month	5.45	Five year	5.70
Fed.funds	5⅝	Six month	5.50	10-year	5.70
Fed.funds at intervention	5⅝	One year	5.52	30-year	5.86

INTERNATIONAL BONDS

Dec 23	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	103.4100	5.27	-0.01	-0.30	+0.03
Spain	01/07	5.750	AA	102.5500	5.39	-0.02	-0.29	+0.15
Philip Morris	03/04	5.375	A	100.0600	5.36	-0.03	-0.32	+0.39
Finland FRN	09/02	3.820	AA	100.7462	4.27	-	-0.34	-0.45
■ EURO FFR								
Austria	01/04	5.500	AAA	102.8100	4.95	-0.03	-0.31	+0.02
Abbey Nat	02/04	6.000	AA	104.8000	5.07	-0.02	-0.30	+0.14
Cred Foncier	02/04	9.125	A	119.2100	5.37	-0.02	-0.32	+0.44
SCIF FRN	12/01	3.750	AA-	99.8628	4.39	-0.01	-0.54	-0.16
■ EURO LIRA								
EIB	02/07	7.000	AAA	110.9100	5.45	-0.03	-0.42	-0.02
Abbey Nat	02/02	6.800	AA	105.9600	5.16	-0.06	-0.45	+0.13
Walt Disney	06/00	8.625	A	107.8500	5.16	-0.07	-0.42	+0.41
EIB FRN	03/01	5.825	AAA	100.3219	4.64	-0.07	-0.37	-0.25
■ EURO £								
EIB	12/07	7.625	AAA	107.5104	6.57	-	-0.32	+0.35
Dresdner Bk	12/07	7.750	AA-	104.8740	7.06	-	-0.26	+0.83
British Gas	03/00	7.625	A+	100.6805	7.27	-0.04	-0.18	+0.63
Abbey Nat FRN	02/02	7.830	AA	100.0334	6.44	-0.04	-0.30	-0.01
■ EURO $								
EIB	04/07	7.250	AAA	107.8785	6.11	-0.02	-0.19	+0.40
ABN Amro	06/07	7.125	AA-	104.6568	6.46	-0.02	-0.14	+0.75
Quebec	01/07	7.000	A+	103.8011	6.44	-0.02	-0.15	+0.73
Citicorp FRN	02/04	5.938	A+	99.5239	6.03	-0.07	+0.11	+0.33
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	118.5000	6.02	-0.06	+0.31	+0.22
Toronto	06/04	8.500	AA+	113.4467	5.91	-0.04	+0.26	+0.11
Bell Canada	07/99	10.625	A+	106.8993	5.80	+0.04	+0.93	+0.20
Deutsche B FRN	09/02	5.875	AAA	101.1234	5.60	-0.04	+0.13	-0.12
■ EURO YEN								
World Bank	03/02	5.250	AAA	117.2000	1.08	-	-	-0.02
Spain	03/02	5.750	AA	119.2000	1.09	-	-0.02	-0.01
Cred Foncier	08/02	4.750	A	113.7600	1.63	+0.03	+0.07	+0.53
Italy FRN	07/99	0.594	AA	100.3467	0.36	-0.02	+0.17	-0.20

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

[illegible]

UK Indices

	Low coupon yield Dec 23	Dec 22	Yr. ago	Medium coupon yield Dec 23	Dec 22	Yr. ago	High coupon yield Dec 23	Dec 22	Yr. ago
5 yrs	6.38	6.42	7.31	6.47	6.51	7.37	6.52	6.56	7.42
15 yrs	6.22	6.26	7.73	6.23	6.28	7.71	6.34	6.38	7.69
20 yrs	6.21	6.26	7.79	6.22	6.26	7.74	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT Fixed Interest Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

Won tumbles on rating downgrades

MARKETS REPORT

By Richard Adams

The South Korean won slumped further against the US dollar yesterday, in the wake of further downgrades to the country's foreign currency credit ratings.

The won slipped a further 250 against the dollar on foreign exchange markets, to 1960 – taking it within sight of breaking the 2000 level well before the end of the year.

The fall came in spite of attempts by South Korean central bank and finance ministry officials to reassure foreign investors, saying several Japanese banks had agreed to roll over loans to Korean commercial banks.

Most currency market trading was lifeless yesterday, as the markets in Europe and North America wound down before the Christmas and New Year holiday period. The Tokyo markets were closed yesterday, for the Emperor's Birthday holiday.

Fears of Bank of Japan intervention on the quiet market stifled attempts to drive up the dollar, dealers said, with talk of intervention expected on Sunday.

The yen showed little reaction to the news that Standard and Poor's had downgraded the sovereign debt of Korea, and remarks by Kim Dae-jung, South Korea's president-elect, that he was losing sleep worrying about the economic situation.

The yen closed in London trading at Y129.94 against the dollar, recovering from its previous close of Y130.38. But against sterling and the D-Mark it was slightly down.

In thin trading, sterling nudged upwards against the D-Mark and the dollar, despite weaker than expected trade figures.

The Bank of Italy announced cuts it its key interest rates, as from today. But the announcement came too late to affect the lira, which closed at L980.7 against the D-Mark.

■ The negative sentiment that surrounded the won following further credit rating downgrades was made worse by the statement from Kim Dae-jung that the country's foreign exchange reserves could barely last one day, and called for emergency loans from overseas.

More worryingly, the latest suggestions of South Korea's foreign debt making the rounds of the market total $130bn, plus $50-$60bn of inter-company loans.

Few analysts are willing to risk forecasting a floor for the won. Predictions of 2200 by the turn of the year, and 3000 sometime in mid-1998, abound.

■ The Canadian dollar experienced fresh pressure yesterday, with the US dollar having earlier in the week strengthened above the psychologically important level of $0.70 against the Canadian dollar. Yesterday the Canadian dollar closed in Europe at $0.696. Against the US dollar, the Canadian unit was C$1.4363, its lowest level for 11 years. Dealers said they were now targetting a fall to C$1.44.

■ The Bank of Italy said late yesterday it would cut its official discount rate to 5.50 per cent, from 6.25 per cent. The Bank's fixed term advances – the Lombard rate – was also cut to 7 per cent, from its previous level of 7.75 per cent. The cuts take effect from today.

The announcement came too late to affect the lira, and had been widely anticipated in the markets.

The discount rate is now at its lowest for 25 years. It was 4 per cent in April 1972. The central bank has now cut rates five times since mid-1996.

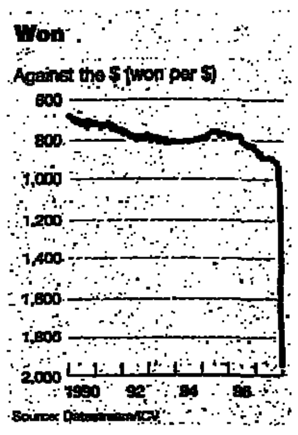
The cut came a day after preliminary figures showed Italian December consumer price inflation at an annual rate of 1.5 per cent.

■ The pound showed little reaction to news of a widening trade deficit in goods with the rest of the world. The monthly deficit in October reached its highest level – £1.35bn – for two years. The figures showed signs that the much-heralded collapse in exports caused by the strength of sterling was underway.

However, sterling was barely changed on the day. The deficit was less than 10 per cent higher than most market expectations. The underlying current account for this year remains in surplus, and next year – when the balance should deteriorate – the deficit is not expected to be high.

Won

Against the $ (won per $)



Source: Datastream/ICV

■ Pound in New York

Dec 23	—Latest—	— Prev. close —
£ spot	1.6685	1.6635
1 mth	1.6645	1.6613
3 mth	1.6597	1.6568
1 yr	1.6414	1.6377

■ OTHER CURRENCIES

Dec 23	£	$
Czech Rp	57.1758 - 57.2768	34.2370 - 34.2770
Hungary	337.657 - 337.943	202.190 - 202.240
Iran	5013.00 - 5018.00	3000.00 - 3000.00
Kuwait	0.5090 - 0.5095	0.3048 - 0.3049
Poland	5.8400 - 5.8569	3.4970 - 3.5050
Russia	9919.80 - 9929.08	5940.00 - 5942.80
U.A.E.	6.1336 - 6.1378	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Dec 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.8422	+0.0046	294 - 549	20.8712	20.7727	20.7788	3.7	20.6509	3.7	20.1826	3.2	102.5
Belgium	(BFr)	61.1337	-	736 - 937	61.2180	60.9330	60.9435	3.7	60.5563	3.8	59.087	3.3	102.0
Denmark	(DKr)	11.2875	+0.0028	824 - 925	11.3042	11.2465	11.2532	3.6	11.1869	3.6	10.9408	3.1	104.4
Finland	(FM)	8.9756	+0.018	687 - 825	8.9860	8.9310	8.9451	4.1	8.8893	3.9	8.6785	3.3	80.7
France	(FFr)	9.9140	+0.0026	056 - 224	9.9296	9.8763	9.8817	3.9	9.8201	3.8	9.5713	3.5	105.6
Germany	(DM)	2.9623	+0.0007	606 - 640	2.9674	2.9514	2.9528	3.8	2.9342	3.8	2.8612	3.4	103.2
Greece	(Dr)	467.289	+0.328	016 - 563	467.768	464.174	470.866	-9.2	478.805	-9.9	508.181	-8.8	65.3
Ireland	(I£)	1.1531	+0.0068	520 - 542	1.1543	1.1444	1.1524	0.7	1.149	1.4	1.1262	2.3	95.8
Italy	(L)	2905.25	+1.19	246 - 804	2911.33	2894.13	2901.81	1.4	2893.05	1.7	2836.99	2.3	75.9
Luxembourg	(LFr)	61.1337	-	736 - 937	61.2180	60.9330	60.9435	3.7	60.5563	3.8	59.087	3.3	102.0
Netherlands	(Fl)	3.3386	+0.0012	370 - 402	3.3437	3.3270	3.3272	4.1	3.3058	3.9	3.2228	3.5	101.4
Norway	(NKr)	12.1469	+0.0198	391 - 547	12.1581	12.0637	12.1071	3.9	12.0342	3.7	11.7828	3.0	98.2
Portugal	(Es)	302.686	-0.138	420 - 952	303.417	301.980	302.102	2.3	300.768	2.5	294.389	2.7	91.6
Spain	(Pta)	250.692	-0.069	567 - 817	251.180	249.860	250.157	2.6	249.035	2.6	243.623	2.8	76.8
Sweden	(SKr)	12.9763	+0.038	682 - 843	13.0165	12.9176	12.9475	2.7	12.8889	2.7	12.6964	2.1	85.4
Switzerland	(SFr)	2.3920	+0.001	904 - 935	2.3966	2.3848	2.3799	6.1	2.3566	5.9	2.2629	5.4	108.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.9
Ecu	-	1.4982	+0.0005	957 - 007	1.5073	1.4937	1.4942	3.2	1.4865	3.1	1.4552	2.9	-
SDR†	-	1.23154	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6702	+0.0068	697 - 707	1.6715	1.6582	-	-	-	-	-	-	-
Brazil	(R$)	1.8619	+0.0077	612 - 625	1.8632	1.8486	-	-	-	-	-	-	-
Canada	(C$)	2.3993	+0.0141	981 - 004	2.4010	2.3793	2.3937	2.8	2.3836	2.6	2.351	2.0	82.0
Mexico	(New Peso)	13.5887	+0.0943	804 - 969	13.5970	13.4786	13.7384	-13.2	14.0242	-12.8	15.2128	-12.0	-
USA	($)	1.6705	+0.007	700 - 710	1.6718	1.6585	1.6685	1.4	1.6637	1.6	1.6456	1.5	108.4
Pacific/Middle East/Africa													
Australia	(A$)	2.5463	-0.0022	446 - 480	2.5517	2.5293	2.5411	2.5	2.5305	2.5	2.4909	2.2	85.2
Hong Kong	(HK$)	12.9447	+0.0522	400 - 494	12.9539	12.8534	12.9408	0.4	13.0001	-1.7	13.4947	-3.8	-
India	(Rs)	65.3583	+0.2239	137 - 029	65.4050	64.8890	-	-	-	-	-	-	-
Israel	(Shk)	5.9018	+0.0172	924 - 112	5.9122	5.8920	-	-	-	-	-	-	-
Japan	(Y)	217.065	+0.178	933 - 197	217.420	215.930	215.78	7.1	213.27	7.0	202.56	6.7	118.4
Malaysia	(M$)	6.4148	+0.0764	045 - 250	6.4647	6.3527	6.3971	3.3	6.3986	1.0	6.5331	-1.8	-
New Zealand	(NZ$)	2.8651	-0.0077	625 - 677	2.8836	2.8482	2.8685	-1.4	2.8731	-1.1	2.8901	-0.9	102.1
Philippines	(Peso)	67.0707	+0.2977	000 - 413	67.8327	66.7046	68.6022	-27.4	70.0663	-17.9	77.38	-15.4	-
Saudi Arabia	(SR)	6.2652	+0.0262	625 - 679	6.2693	6.2207	6.2579	1.4	6.2428	1.5	6.1835	1.3	-
Singapore	(S$)	2.7935	+0.008	906 - 964	2.7964	2.7721	2.8077	-6.1	2.8166	-3.3	2.8259	-1.2	-
South Africa	(R)	8.1187	+0.0424	137 - 236	8.1244	8.0703	8.174	-8.2	8.2736	-7.6	8.6518	-6.6	-
South Korea	(Won)	3274.18	+429.6	320 - 516	3314.69	2843.39	-	-	-	-	-	-	-
Taiwan	(T$)	54.3890	+0.1356	034 - 746	54.5487	54.0671	54.3421	1.0	54.2217	1.2	53.7635	1.2	-
Thailand	(Bt)	79.6830	+1.415	085 - 574	80.5240	74.5770	80.3383	-9.9	81.5216	-9.2	85.9009	-7.8	-

† Rates for Dec 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.4766	-0.0498	727 - 805	12.5400	12.47140	12.4536	2.2	12.4126	2.1	12.2646	1.7	102.4
Belgium	(BFr)	36.5960	-0.154	710 - 210	36.7600	36.5700	36.526	2.3	36.3985	2.2	35.906	1.9	102.1
Denmark	(DKr)	6.7569	-0.0268	559 - 579	6.7909	6.7548	6.7444	2.2	6.7241	1.9	6.6485	1.6	103.8
Finland	(FM)	5.3730	-0.0118	705 - 755	5.3918	5.3700	5.3612	2.6	5.3425	2.3	5.2738	1.8	80.4
France	(FFr)	5.9348	-0.0234	315 - 380	5.9625	5.9305	5.9226	2.5	5.9027	2.2	5.8163	2.0	106.1
Germany	(DM)	1.7733	-0.0071	728 - 738	1.7822	1.7727	1.7698	2.4	1.7637	2.2	1.7387	2.0	102.9
Greece	(Dr)	279.730	-0.98	650 - 810	280.920	279.320	282.21	-10.6	287.795	-11.5	308.81	-10.4	65.3
Ireland	(I£)	1.4487	-0.0025	477 - 497	1.4538	1.4468	1.4478	0.7	1.448	0.2	1.4612	-0.9	-
Italy	(L)	1739.15	-6.6	800 - 030	1747.00	1737.48	1739.18	0.0	1738.93	0.1	1723.98	0.9	75.7
Luxembourg	(LFr)	36.5960	-0.154	710 - 210	36.7600	36.5700	36.526	2.3	36.3985	2.2	35.906	1.9	102.1
Netherlands	(Fl)	1.9986	-0.0077	982 - 989	2.0088	1.9978	1.9941	2.7	1.987	2.3	1.9585	2.0	101.3
Norway	(NKr)	7.2714	-0.0187	689 - 738	7.3018	7.2609	7.2562	2.5	7.2333	2.1	7.1602	1.5	97.7
Portugal	(Es)	181.195	-0.845	090 - 300	182.090	181.000	181.063	0.9	180.78	0.9	178.895	1.3	92.1
Spain	(Pta)	150.070	-0.685	040 - 100	150.820	150.020	149.93	1.1	149.688	1.0	148.045	1.3	76.5
Sweden	(SKr)	7.7679	-0.0096	654 - 704	7.8023	7.7650	7.7599	1.2	7.7471	1.1	7.7166	0.7	85.5
Switzerland	(SFr)	1.4319	-0.0054	314 - 324	1.4395	1.4303	1.4264	4.7	1.4165	4.3	1.3751	4.0	108.3
UK	(£)	1.6705	+0.007	700 - 710	1.6718	1.6585	1.6685	1.4	1.6637	1.6	1.6456	1.5	104.4
Ecu	-	1.1150	+0.0042	135 - 165	1.1172	1.1065	1.1165	-1.6	1.1192	-1.5	1.1306	-1.4	-
SDR†	-	0.739754	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0001	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1146	-	145 - 146	1.1147	1.1144	-	-	-	-	-	-	-
Canada	(C$)	1.4363	+0.0024	360 - 365	1.4370	1.4337	1.4346	1.4	1.4326	1.0	1.4286	0.5	82.3
Mexico	(New Peso)	8.1345	+0.0225	320 - 370	8.1370	8.1290	8.234	-14.7	8.4295	-14.5	9.2445	-13.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.5
Pacific/Middle East/Africa													
Australia	(A$)	1.5243	-0.0077	237 - 249	1.5263	1.5235	1.5235	0.6	1.5209	0.9	1.5102	0.9	85.5
Hong Kong	(HK$)	7.7490	-0.0012	485 - 495	7.7498	7.7475	7.756	-1.1	7.814	-3.4	8.164	-5.4	-
India	(Rs)	39.1250	-0.03	100 - 400	39.1600	39.1100	-	-	-	-	-	-	-
Israel	(Shk)	3.5330	-0.0045	284 - 375	3.5395	3.5279	-	-	-	-	-	-	-
Japan	(Y)	129.940	-0.44	900 - 980	130.580	129.680	129.325	5.7	128.19	5.4	123.09	5.3	119.5
Malaysia	(M$)	3.8400	+0.0297	350 - 450	3.8900	3.8300	3.834	1.9	3.846	-0.6	3.97	-3.4	-
New Zealand	(NZ$)	1.7151	-0.0119	141 - 161	1.7173	1.7138	1.7182	-2.2	1.7236	-2.0	1.7424	-1.6	-
Philippines	(Peso)	40.1500	+0.01	000 - 000	40.9000	39.9000	41.116	-28.9	42.1145	-19.6	47.0215	-17.1	-
Saudi Arabia	(SR)	3.7505	-	500 - 510	3.7510	3.7500	3.7506	0.0	3.7521	-0.2	3.7576	-0.2	-
Singapore	(S$)	1.6723	-0.0022	710 - 735	1.6760	1.6670	1.6828	-7.5	1.693	-5.0	1.7173	-2.7	-
South Africa	(R)	4.8600	+0.005	585 - 615	4.8647	4.8555	4.899	-9.6	4.973	-9.3	5.2575	-8.2	-
South Korea	(Won)	1960.00	+250	000 - 000	1995.00	1940.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.5585	-0.0555	170 - 000	32.8310	32.5150	32.5695	-0.4	32.591	-0.4	32.671	-0.3	-
Thailand	(Bt)	47.7000	+0.65	500 - 500	48.9000	44.8500	48.15	-11.3	49	-10.9	52.2	-9.4	-

† SDR rate per $ for Dec 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 22: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

December 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	$3\frac{3}{4}$	$3\frac{5}{8}$	$3\frac{21}{32}$	$3\frac{27}{32}$	$4\frac{1}{16}$	6.00	2.75	-
France	$3\frac{1}{8}$	$3\frac{1}{2}$	$3\frac{3}{4}$	$3\frac{27}{32}$	$3\frac{7}{8}$	4.60	-	3.30
Germany	$3\frac{1}{2}$	$3\frac{9}{16}$	$3\frac{23}{32}$	$3\frac{7}{8}$	$3\frac{7}{8}$	4.50	2.50	3.30
Ireland	$6\frac{1}{16}$	$6\frac{1}{4}$	$6\frac{1}{16}$	$5\frac{7}{8}$	$5\frac{1}{2}$	-	-	6.75
Italy	$6\frac{1}{2}$	$5\frac{7}{8}$	$5\frac{3}{4}$	$5\frac{1}{2}$	$5\frac{1}{16}$	7.75	6.25	6.17
Netherlands	$3\frac{1}{4}$	$3\frac{19}{32}$	$3\frac{5}{8}$	$3\frac{3}{4}$	$3\frac{27}{32}$	-	2.75	3.30
Switzerland	$1\frac{1}{2}$	$1\frac{7}{16}$	$1\frac{9}{16}$	$1\frac{5}{8}$	$1\frac{3}{4}$	-	1.00	-
US	$5\frac{1}{2}$	$5\frac{13}{16}$	$6\frac{1}{32}$	$5\frac{7}{8}$	$5\frac{29}{32}$	-	5.00	-
Japan	$\frac{1}{2}$	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{9}{16}$	$1\frac{1}{32}$	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	$5\frac{29}{32}$	$6\frac{1}{32}$	$5\frac{15}{16}$	$5\frac{31}{32}$	-	-	-
US Dollar CDs	-	5.17	5.39	5.50	5.65	-	-	-
ECU Linked Ds	-	$4\frac{1}{4}$	$4\frac{1}{4}$	$4\frac{5}{16}$	$4\frac{5}{16}$	-	-	-
SDR Linked Ds	-	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{13}{16}$	$4\frac{1}{16}$	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$3\frac{13}{16}$ - $3\frac{5}{8}$	$3\frac{3}{4}$ - $3\frac{5}{8}$	$3\frac{3}{4}$ - $3\frac{5}{8}$	$3\frac{25}{32}$ - $3\frac{21}{32}$	$3\frac{29}{32}$ - $3\frac{25}{32}$	$4\frac{1}{8}$ - $4\frac{1}{32}$
Danish Krone	$3\frac{13}{16}$ - $3\frac{3}{4}$	$3\frac{13}{16}$ - $3\frac{3}{4}$	$3\frac{7}{8}$ - $3\frac{25}{32}$	$3\frac{15}{16}$ - $3\frac{13}{16}$	$4\frac{1}{32}$ - $3\frac{15}{16}$	$4\frac{3}{8}$ - $4\frac{1}{4}$
German Mark	$3\frac{1}{2}$ - $3\frac{1}{8}$	$3\frac{21}{32}$ - $3\frac{17}{32}$	$3\frac{5}{8}$ - $3\frac{1}{2}$	$3\frac{11}{16}$ - $3\frac{9}{16}$	$3\frac{3}{4}$ - $3\frac{5}{8}$	$3\frac{15}{16}$ - $3\frac{13}{16}$
Dutch Guilder	2 - $1\frac{7}{8}$	$3\frac{11}{16}$ - $3\frac{5}{16}$	$3\frac{15}{32}$ - $3\frac{3}{8}$	$3\frac{5}{8}$ - $3\frac{17}{32}$	$3\frac{3}{4}$ - $3\frac{5}{8}$	4 - $3\frac{29}{32}$
French Franc	$3\frac{7}{16}$ - $3\frac{3}{8}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{19}{32}$ - $3\frac{15}{32}$	$3\frac{23}{32}$ - $3\frac{19}{32}$	$3\frac{13}{16}$ - $3\frac{11}{16}$	$3\frac{31}{32}$ - $3\frac{27}{32}$
Portuguese Esc.	$5\frac{5}{32}$ - $5\frac{1}{32}$	$5\frac{11}{32}$ - $5\frac{1}{4}$	$5\frac{5}{16}$ - $5\frac{1}{8}$	$5\frac{1}{16}$ - 5	$4\frac{7}{8}$ - $4\frac{25}{32}$	$4\frac{3}{4}$ - $4\frac{11}{16}$
Spanish Peseta	$4\frac{23}{32}$ - $4\frac{1}{2}$	$4\frac{11}{16}$ - $4\frac{19}{32}$	$4\frac{23}{32}$ - $4\frac{19}{32}$	$4\frac{19}{32}$ - $4\frac{15}{32}$	$4\frac{21}{32}$ - $4\frac{1}{2}$	$4\frac{9}{16}$ - $4\frac{15}{32}$
Sterling	$7\frac{3}{16}$ - $7\frac{1}{16}$	$7\frac{3}{16}$ - $7\frac{1}{16}$	$7\frac{7}{16}$ - $7\frac{5}{16}$	$7\frac{19}{32}$ - $7\frac{17}{32}$	$7\frac{3}{4}$ - $7\frac{9}{16}$	$7\frac{3}{4}$ - $7\frac{5}{16}$
Swiss Franc	$1\frac{3}{8}$ - $\frac{7}{8}$	$2\frac{1}{8}$ - $1\frac{5}{8}$	$1\frac{15}{32}$ - $1\frac{11}{32}$	$1\frac{11}{16}$ - $1\frac{9}{16}$	$1\frac{13}{16}$ - $1\frac{11}{16}$	$1\frac{7}{8}$ - $1\frac{3}{4}$
Canadian Dollar	$4\frac{3}{16}$ - $4\frac{1}{16}$	$4\frac{9}{16}$ - $4\frac{7}{16}$	$4\frac{9}{16}$ - $4\frac{7}{16}$	$4\frac{7}{8}$ - $4\frac{3}{4}$	$5\frac{1}{16}$ - $4\frac{15}{16}$	$5\frac{5}{16}$ - $5\frac{3}{16}$
US Dollar	$5\frac{13}{16}$ - $5\frac{11}{16}$	$6\frac{5}{8}$ - $6\frac{1}{2}$	$5\frac{29}{32}$ - $5\frac{25}{32}$	$5\frac{31}{32}$ - $5\frac{27}{32}$	$6\frac{3}{32}$ - $5\frac{31}{32}$	$5\frac{31}{32}$ - $5\frac{27}{32}$
Italian Lira	$6\frac{13}{16}$ - $5\frac{13}{16}$	$6\frac{1}{8}$ - 6	$5\frac{31}{32}$ - $5\frac{7}{8}$	$5\frac{15}{16}$ - $5\frac{13}{16}$	$5\frac{7}{16}$ - $5\frac{13}{16}$	$5\frac{3}{16}$ - 5
Japanese Yen	$\frac{1}{2}$ - $\frac{3}{8}$	$\frac{5}{8}$ - $\frac{3}{8}$	$\frac{9}{32}$ - $\frac{5}{32}$	$\frac{3}{8}$ - $\frac{1}{4}$	$\frac{15}{32}$ - $\frac{11}{32}$	$1\frac{1}{16}$ - 1
Asian $Sing	$\frac{3}{4}$ - $\frac{1}{2}$	$7\frac{1}{2}$ - 7	7 - $6\frac{1}{2}$	$7\frac{1}{2}$ - 7	$7\frac{1}{2}$ - 7	$7\frac{3}{4}$ - $7\frac{1}{4}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.25	96.26	-	96.27	96.24	7,529	82,759
Jun	96.16	96.15	-0.18	96.16	96.13	3,774	42,854
Sep	96.05	96.05	-0.22	96.05	96.03	2,457	29,853

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.24	96.24	+0.01	96.25	96.23	27350	378923
Jun	96.12	96.13	+0.02	96.14	96.11	20287	332080
Sep	96.01	96.03	+0.04	96.04	96.00	13428	245571
Dec	95.80	95.83	+0.04	95.84	95.79	11808	203351

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan		96.42	+0			0	633
Feb		96.35	+0			0	133
Mar		96.29	+0			0	100
Apr		96.26	+0			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.73	94.77	+0.04	94.82	94.73	19918	153007
Jun	95.40	95.43	+0.05	95.44	95.40	8651	128422
Sep	95.63	95.67	+0.06	95.70	95.63	4436	91910
Dec	95.64	95.67	+0.09	95.68	95.63	2560	65596

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.29	98.31	+0.02	98.32	98.28	2387	71345
Jun	98.13	98.16	+0.02	98.18	98.13	279	30359
Sep	97.99	98.02	+0.01	97.99	97.99	10	15798
Dec	97.81	97.81	+0.02	97.81	97.80	35	7916

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		99.13	-0.04			0	n/a
Jun		99.23	-0.03			0	n/a
Sep		99.25	-0.03			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.56	95.59	+0.03	95.60	95.55	493	9096
Jun	95.58	95.60	+0.04	95.60	95.58	143	6183
Sep	95.60	95.62	+0.04	95.62	95.59	99	8149
Dec	95.68	95.70	+0.04	95.68	95.68	50	4006

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9475	0.17	0.73	0.97	0.15	0.05	0.05
9500	0.07	0.51	0.75	0.30	0.08	0.08
9525	0.02	0.33	0.55	0.50	0.15	0.13

Est. vol. total, Calls 302 Puts 3. Previous day's open int., Calls 160355 Puts 52047

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.22	4.846	1.886	4752	5.461	19.87	495.1	410.1	21.23	3.913	1.636	3.925	2.733	355.1	2.451
Denmark	(DKr)	54.16	10	8.783	2.624	1.022	2574	2.958	10.76	268.2	222.1	11.50	2.119	0.886	2.126	1.480	192.3	1.327
France	(FFr)	61.66	11.39	10	2.988	1.163	2930	3.368	12.25	305.3	252.9	13.09	2.413	1.009	2.420	1.685	218.9	1.511
Germany	(DM)	20.64	3.810	3.347	1	0.389	980.7	1.127	4.101	102.2	84.63	4.380	0.807	0.338	0.810	0.564	73.28	0.506
Ireland	(I£)	53.02	9.789	8.598	2.569	1	2520	2.895	10.53	262.5	217.4	11.25	2.074	0.867	2.081	1.449	188.2	1.299
Italy	(L)	2.104	0.389	0.341	0.102	0.040	100	0.115	0.418	10.42	8.629	0.447	0.082	0.034	0.083	0.058	7.471	0.052
Netherlands	(Fl)	18.31	3.381	2.969	0.887	0.345	870.2	1	3.638	90.66	75.09	3.887	0.716	0.300	0.719	0.500	65.02	0.449
Norway	(NKr)	50.33	9.292	8.162	2.439	0.949	2392	2.749	10	249.2	206.4	10.68	1.969	0.823	1.975	1.375	178.7	1.233
Portugal	(Es)	20.20	3.729	3.275	0.979	0.381	959.8	1.103	4.013	100	82.82	4.287	0.790	0.330	0.793	0.552	71.71	0.495
Spain	(Pta)	24.39	4.503	3.955	1.182	0.460	1159	1.332	4.845	120.7	100	5.176	0.954	0.399	0.957	0.666	86.59	0.598
Sweden	(SKr)	47.11	8.698	7.640	2.283	0.889	2239	2.573	9.361	233.3	193.2	10	1.843	0.771	1.849	1.287	167.3	1.155
Switzerland	(SFr)	25.56	4.719	4.145	1.238	0.482	1215	1.396	5.078	126.5	104.8	5.425	1	0.418	1.003	0.698	90.75	0.626
UK	(£)	61.13	11.29	9.914	2.962	1.153	2905	3.339	12.15	302.7	250.7	12.98	2.392	1	2.399	1.671	217.1	1.498
Canada	(C$)	25.48	4.704	4.132	1.235	0.481	1211	1.392	5.063	126.2	104.5	5.408	0.997	0.417	1	0.696	90.47	0.624
USA	($)	36.60	6.757	5.935	1.773	0.690	1739	1.999	7.271	181.2	150.1	7.768	1.432	0.599	1.436	1	129.9	0.897
Japan	(Y)	28.16	5.200	4.567	1.365	0.531	1338	1.538	5.596	139.4	115.5	5.978	1.102	0.461	1.105	0.770	100	0.690
Ecu	–	40.80	7.534	6.617	1.977	0.770	1939	2.228	8.108	202.0	167.3	8.661	1.597	0.667	1.601	1.115	144.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5642	0.5655	+0.0012	0.5659	0.5636	7,558	65,599
Jun	0.5681	0.5681	+0.0010	0.5681	0.5681	17	4,405
Sep	-	0.5700	+0.0004	0.5700	-	7	140

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7018	0.7038	+0.0012	0.7047	0.7010	4,228	36,737
Jun	-	0.7096	-	-	-	1	1,441
Sep	-	0.7165	-	-	-	6	110

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7777	0.7787	+0.0007	0.7811	0.7751	11,162	87,119
Jun	0.7900	0.7900	+0.0012	0.7903	0.7892	26	1,664
Sep	-	0.7995	-	-	-	18	1,372

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6572	1.6628	+0.0068	1.6652	1.6520	4,562	32,208
Jun	-	1.6540	+0.0050	1.6540	-	2	1,315
Sep	-	1.6420	-	-	-	7	4

UK INTEREST RATES

LONDON MONEY RATES

Dec 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$7\frac{7}{8}$ - $6\frac{1}{2}$	$7\frac{3}{16}$ - $7\frac{1}{16}$	$7\frac{7}{16}$ - $7\frac{5}{16}$	$7\frac{11}{16}$ - $7\frac{9}{16}$	$7\frac{3}{4}$ - $7\frac{5}{8}$	$7\frac{3}{4}$ - $7\frac{5}{8}$
Sterling CDs	-	-	$7\frac{3}{8}$ - $7\frac{5}{16}$	$7\frac{9}{16}$ - $7\frac{1}{2}$	$7\frac{21}{32}$ - $7\frac{19}{32}$	$7\frac{3}{4}$ - $7\frac{11}{16}$
Treasury Bills	-	-	$7\frac{1}{4}$ - $7\frac{1}{8}$	$7\frac{3}{8}$ - $7\frac{5}{16}$	-	-
Bank Bills	-	-	$7\frac{1}{4}$ - $7\frac{1}{8}$	$7\frac{5}{16}$ - $7\frac{3}{16}$	$7\frac{3}{8}$ - $7\frac{1}{4}$	-
Local authority deps.	$7\frac{1}{16}$ - 7	$7\frac{1}{4}$ - $7\frac{1}{8}$	$7\frac{3}{8}$ - $7\frac{5}{16}$	$7\frac{19}{32}$ - $7\frac{17}{32}$	$7\frac{5}{8}$ - $7\frac{9}{16}$	$7\frac{23}{32}$ - $7\frac{19}{32}$
Discount Market deps	$7\frac{1}{4}$ - $7\frac{1}{8}$	$7\frac{1}{4}$ - 7	-	-	-	-

UK clearing bank base lending rate $7\frac{1}{4}$ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$2\frac{1}{2}$	$5\frac{1}{2}$	5	5	$4\frac{3}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{4}$pc.
Ave. tender rate of discount on Dec 19. 6.9821pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 28, 1997. Agreed rate for period Dec 24, 1997 to Jan 28, 1998, Scheme III 8.84pc. Reference rate for period Nov 1, 1997 to Nov 28, 1997, Schemes IV & V 7.601pc. Finance House Base Rate $7\frac{1}{2}$pc from Dec 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.45	92.47	+0.04	92.48	92.43	6366	141378
Jun	92.54	92.58	+0.05	92.59	92.54	5035	107472
Sep	92.68	92.72	+0.04	92.73	92.68	3013	83050
Dec	92.87	92.90	+0.04	92.92	92.87	1463	78340
Mar	93.07	93.12	+0.04	93.12	93.07	1580	66239

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9225	0.27	0.41	0.59	0.05	0.08	0.12
9250	0.10	0.24	0.40	0.13	0.16	0.18
9275	0.02	0.12	0.25	0.30	0.29	0.28

Est. vol. total, Calls 3051 Puts 66. Previous day's open int., Calls 167114 Puts 150728

EMS EUROPEAN CURRENCY UNIT RATES

Dec 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.796709	0.768050	+0.003181	-4.09	7.05	28
Italy	1906.48	1939.15	+0.65	1.71	0.95	-12
Spain	163.826	167.278	-0.081	2.11	0.56	-15
Finland	5.85424	5.98770	+0.00785	2.28	0.39	-15
Portugal	197.398	202.136	-0.029	2.40	0.27	-16
France	6.45863	6.61416	-0.00411	2.41	0.26	-20
Denmark	7.34555	7.53105	-0.00312	2.53	0.15	-17
Austria	13.5485	13.9057	-0.0054	2.64	0.04	-19
Germany	1.92573	1.97644	-0.00072	2.63	0.04	-26
Netherlands	2.16979	2.22718	-0.00084	2.64	0.03	-20
Belgium	39.7191	40.7825	-0.0144	2.68	0.00	-20
NON ERM MEMBERS						
Greece	295.269	311.605	+0.297	5.53	-2.71	-
UK	0.793103	0.667380	+0.001324	-15.85	22.02	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
1.660	1.72	2.40	2.85	1.51	2.39	3.05
1.670	1.26	1.95	2.45	2.06	2.90	3.61
1.680	0.89	1.56	2.05	2.64	-	4.21

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
0.560	0.74	1.06	1.33	0.47	0.72	0.90
0.565	0.48	0.80	1.06	0.73	0.96	1.15
0.570	0.31	0.60	0.85	1.05	1.28	1.43

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.20	94.21	+0.02	94.21	94.19	40,180	485,119
Jun	94.19	94.21	+0.02	94.21	94.18	42,539	396,977
Sep	94.15	94.17	+0.02	94.17	94.15	31,730	259,946

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.89	94.93	+0.01	94.93	94.87	2,466	7,935
Jun	94.88	94.91	+0.01	94.91	94.88	275	1,222
Sep	-	94.90	-	-	-	10	23

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
9600	0.25	0.27	0.27	0.23	0.01	0.03	0.03	0.10
9625	0.05	0.08	0.09	0.11	0.06	0.09	0.10	0.23
9650	0.02	0.02	0.02	0.04	0.28	0.28	0.28	0.41
9675	0.01	0.01	0.01	0.01	0.52	0.52	0.52	0.63

Est. vol. total, Calls 2431 Puts 3400. Previous day's open int., Calls 283511 Puts 300880

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9850	0.06	0.07	0.08	0.25	0.41	0.56
9875	0.02	0.02	0.03	0.46	0.61	0.76

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 886

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Violent protests fail to upset TVX Gold plans

By Kerin Hope in Athens

TVX Gold, the Canadian producer, yesterday said it was committed to a $500m investment in gold mining and processing in northern Greece, in spite of violent clashes with local residents opposed to the scheme.

The protestors claim that plans by the group's Greek subsidiary, TVX Hellas, to build a $220m gold extraction plant close to the seaside village of Olympiada will cause environmental damage and ruin the district's chances of developing a tourist industry

There were violent clashes last month between protestors and riot police. The mayors of five villages in Halkidiki received suspended prison sentences last week on charges of instigatingthe protests. In separate incidents, protestors set fire to drilling equipment belonging to TVX Hellas and to IGME, the Greek state mining research organisation, which is carrying out an independent study of possible sites for the plant.

Ken Sangster, head of TVX Gold's European operations, said the company had invested more than $80m at Kassandra in the past two years. The investment included re-starting production at the Madem Lakkos lead and zinc mine, refurbishing the lead, zinc and silver mines at Olympiada and exploring a copper and gold deposit at Skouries.

"This is a substantial investment," said Mr Sangster. "We're not about to walk away from it." He said a feasibility study of the Olympiada project indicated that between 200,000 and 300,000 ounces of gold could be produced annually over 10-15 years.

Gold would be extracted from an existing stockpile of refractory ore and from tailings left by earlier lead and zinc mining operations, while the Olympiada mine would be re-opened. TVX intends to use a bio-oxidation process for gold extraction rather than pressure oxidation as planned earlier "because it's a more flexible process and uses less complex technology", said Mr Sangster.

A pre-feasibility study at Skouries indicates that about 250,000 ounces of gold a year could be produced from copper that would be processed at the site and shipped abroad for smelting. The set-up costs of open-pit and underground mines and a processing facility would be about $250m.

TVX Gold acquired the assets of Kassandra Mines, a bankrupt Greek mining company, for $47m under the Socialist government's privatisation scheme. These included three lead, zinc and silver mines and two ore mills in a 31,000-hectare concession area.

The government backs the project – the largest greenfield investment in Greece by a foreign company for more than 20 years.

Brighter days for Albanian chrome

A consortium of British and Italian companies have agreed with the Albanian government to rehabilitate and modernise a large part of Albania's chrome industry.

The aim is to make Albania a leading supplier of ferrochrome to European – and in particular to Italian – stainless steel producers.

Financing has yet to be agreed but negotiations are at an advanced stage for funding to be provided by Banca Nazionale del Lavoro of Italy.

An agreement is expected to be signed during the first quarter of next year.

Contracts for plant, equipment and project management worth about $41m have been signed with Albkromi, the Albanian state-owned chrome group. This should enable the country to more than triple annual production of ferrochrome to 80,000 tonnes and to increase annual output of chrome ore to at least 250,000 tonnes within two years.

If the project is given the go-ahead early next year, it will provide a vital stimulus to the battered Albanian economy. It was hit by the collapse of a series of fraudulent pyramid finance schemes that triggered a wave of violent anarchy and led to the downfall of the government.

The measures to rehabilitate the mines and ferrochrome smelters could also pave the way for privatisation of the chrome industry and attract a strategic foreign investor.

Albania has the only significant reserves of chrome ore in Europe and is estimated to have the world's fourth largest reserves after South Africa, Zimbabwe and Kazakhstan. Many years of mismanagement, however, have pushed the industry to the edge of collapse.

The project will be led by Kinglor, the specialist Italian engineering company, which will upgrade and expand the country's ferrochrome smelters at Burrel and Elbasan.

The mines will be upgraded by a consortium of British companies co-ordinated by Lord Selsdon, a former UK investment banker, and by Robinco, a Swiss-British trading company.

The consortium will include Compair Holman, part of the Siebe engineering group, GEC Alsthom, Clayton Equipment, a subsidiary of Rolls-Royce, and Oldham Crompton, part of BTR. Exports of plant and equipment from the UK are expected to total about $12.2m, and will be aimed at modernising the two main chrome ore mines at Bulqiza and Kalimash.

Financing is being prepared by ITS Sogecred, the international trading arm of the Banca Nazionale del Lavoro group, which would also be responsible for the marketing of the ferrochrome.

All that shines: plant from the UK will help modernise the Bulqiza chrome ore mine

The aim is for the project to be self-financing, with the loans for the purchase of plant and equipment being settled within an estimated six to seven years by the sales generated from higher output.

In common with the rest of Albanian industry, the chrome sector has been woefully deprived of investment for many years. Much of its technology and equipment is of Chinese origin from the 1960s or earlier.

Five of its six smelting furnaces are Chinese in origin and the underground transport equipment at the main mines such as Bulqiza is also Chinese, although some of the antiquated equipment also came from Russia, Poland and the former Czechoslovakia.

Production of chrome ore once reached a level of nearly 1m tonnes a year during the communist era, but fell to 250,000 tonnes as the Albanian economy deteriorated. This year it is expected to reach 175,000 tonnes.

Studies for the UK consortium suggest production could be restored to about 250,000 tonnes a year with the provision of urgently needed spares and equipment.

In a possible second phase, UK consultants estimate output could be doubled within five years to 500,000 tonnes annually – sufficient to support ferrochrome production of as much as 150,000 tonnes a year.

In contrast to the rescue scheme costing about $40m, further development of the industry would call for investments totalling at least $210m and the building of a new hydro-electric power station and construction of substantial additional smelting capacity.

Kevin Done

Study sees fall in metals demand

By Kenneth Gooding, Mining Correspondent

The fall in demand for metals in Asia will be much more severe than generally thought, creating a surplus next year among the metals traded on the London Metal Exchange, according to analysts at Macquarie Equities, part of the Australian group.

They say most forecasts of growth in Asian demand for metal have been revised down to 1 per cent or less but more likely is a fall of between 3 per cent and 5 per cent.

The metals most at risk are aluminium and nickel, say Jim Lennon and Adam Rowley in Macquarie's Commodities Report.

After visiting metal producers, consumers and traders in Korea, China, Hong Kong and Japan in recent weeks, the analysts say the worst period for demand in the region will be the first quarter of 1998.

Many consumers are being forced, under the terms of existing contracts, to take delivery of material and are building stocks. "In the first quarter, heavy de-stocking will be undertaken with demand in many countries falling by up to 50 per cent, year-on-year."

Macquarie says metal imports to Korea have virtually stopped because of consumers' inability to obtain letters of credit and foreign exchange. They predict metal consumption in Korea will fall by at least 10 per cent from the 1997 level next year.

In China and Hong Kong, metal demand this year has been lower than expected because of heavy de-stocking from the end of 1996 onwards, tighter liquidity – leading to lower spending on infrastructure projects – and weaker investment generally.

"This weakness is expected to continue into 1998 and an additional worry is coming from an expected sharp fall in foreign investment in Chinese industry and a reduction in export growth because of a loss of competitiveness with other Asian countries where there have been massive devaluations."

Traders in China see copper production and consumption roughly in balance next year (between 1.3m and 1.35m tonnes). They expect aluminium imports to be sharply reduced, zinc exports to stay at 500,000 tonnes and nickel exports to double to 10,000 tonnes.

In Japan, Macquarie is predicting a 10 per cent fall in building and construction activity in 1998 and a 5 per cent fall in car and truck output, "two critical sectors for metals demand."

Price of silver at 8-year high

MARKETS REPORT

By Kenneth Gooding and Gary Mead

A flurry of late buying pushed silver prices to an eight-year high of $6.19 an ounce, up 16 cents, by the close in London yesterday. Traders said investment funds jumped in to buy after the New York Commodity Exchange (Comex) reported another fall in its silver stocks.

Ted Arnold, analyst at Merrill Lynch, said a syndicate, including a US investment fund and two bullion houses, was buying silver in the hope of pushing up prices to $8 or $9 an ounce. The syndicate already controlled a large quantity and this had driven Comex stocks to a 12-year low, Mr Arnold said.

Gold continued its recovery on the back of strong physical demand and closed up $1.95 in London, at $293.45 an ounce.

Cocoa futures on the London International Financial Futures and Options Exchange recovered slightly, ending a two-day 11 per cent slide. The March contract closed £14 higher at £1.063 a tonne, although traders said there was an uneasy atmosphere, given the continuing uncertainty over the future of Phibro, one of the world's leading commodity traders.

Phibro is thought to control about 25 per cent of world stocks. Traders are concerned that if Phibro closed operations, there might be a swift release of its stocks on to the market.

On the Coffee, Sugar and Cocoa Exchange in New York, cocoa futures also regained lost ground; the March contract was $22 higher at midday, at $1,641 a tonne.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1499-500	1527-8
Previous	1506-07	1534-35
High/low		1538/1524
AM Official	1498-99	1528-29
Kerb close		1531-2
Open int.	n/a	
Total daily turnover	n/a	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1368-73	1390-93
Previous	1370-80	1395-400
High/low		1400/1390
AM Official	1368-73	1390-94
Kerb close		1393-5
Open int.	n/a	
Total daily turnover	n/a	

■ LEAD ($ per tonne)

Close	534-5	539-40
Previous	530-2	539-41
High/low		543/535
AM Official	525-6	534-5
Kerb close		541-2
Open int.	n/a	
Total daily turnover	n/a	

■ NICKEL ($ per tonne)

Close	5870-80	5960-70
Previous	5905-15	6000-10
High/low		6010/5950
AM Official	5850-55	5945-50
Kerb close		5940-60
Open int.	n/a	
Total daily turnover	n/a	

■ TIN ($ per tonne)

Close	5280-90	5290-95
Previous	5335-45	5320-25
High/low		5330/5275
AM Official	5260-65	5275-80
Kerb close		5295-300
Open int.	n/a	
Total daily turnover	n/a	

■ ZINC, special high grade ($ per tonne)

Close	1090.5-1.5	1111.5-2.5
Previous	1087.5-89.5	1113-15
High/low		1117/1104
AM Official	1091-92	1116-17
Kerb close		1116-7
Open int.	n/a	n/a
Total daily turnover		

■ COPPER, grade A ($ per tonne)

Close	1732.5-3.5	1762-3
Previous	1752-53	1781-82
High/low		n/a
AM Official	1735.5-36	1766-67
Kerb close		n/a
Open int.	n/a	
Total daily turnover	n/a	

■ LME AM Official £/$ rate: 1.6650
LME Closing £/$ rate: 1.6685

Spot: 1.6686 3 mths: 1.6624 6 mths: 1.6558 9 mths: 1.6494

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	78.40	-1.00	79.40	78.30	783	1,210
Jan	78.65	-1.05	79.25	78.60	228	3,667
Feb	79.25	-1.05	79.80	79.20	444	2,243
Mar	79.75	-1.10	81.20	79.70	2,309	35,522
Apr	80.35	-1.05	80.80	80.50	91	1,542
May	80.70	-1.05	82.15	80.80	170	5,127
Total					4,940	70,203

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	293.10-293.60		
Opening	291.90-292.30		
Morning fix	292.20	176.045	419.833
Afternoon fix	292.50	175.150	419.153
Day's High	293.50-292.90		
Day's Low	291.50-291.90		
Previous close	291.20-291.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.01	6 months	4.02
2 months	4.01	12 months	4.03
3 months	4.01		

Silver Fix	p/troy oz.	US cts equiv.
Spot	362.15	603.00
3 months	364.55	604.50
6 months	364.20	601.50
1 year	363.95	596.90

Gold Coins	$ price	£ equiv.
Krugerrand	287.5-290.5	172.0-174.0
Maple Leaf	-	-
New Sovereign	66.00-69.00	39.0-41.0

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	294.3	+3.2	294.0	292.5	18	127
Jan	294.6	+3.0	-	-	-	2
Feb	295.5	+2.8	296.2	292.7	14,607	97,235
Apr	297.2	+2.7	298.0	294.9	788	12,467
Jun	299.2	+2.7	300.0	297.2	185	12,014
Aug	301.2	+2.7	301.5	299.2	121	5,467
Total					15,803	185,043

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	355.0	+1.9	358.0	353.0	1,494	6,584
Apr	351.7	+1.6	353.8	350.0	1,153	7,200
Jul	350.2	+1.6	355.0	352.0	23	300
Oct	350.2	+1.6	343.0	343.0	32	-
Total					2,670	14,088

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	187.15	+2.10	187.50	183.00	30	128
Mar	185.15	+2.10	186.70	182.00	249	3,556
Jun	183.65	+2.60	184.50	184.50	4	239
Sep	180.65	+2.60	-	-	-	4
Total					279	3,927

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	619.7	+22.2	620.0	600.0	161	455
Jan	620.8	+20.5	616.0	603.0	-	28
Mar	624.3	+21.8	625.0	601.5	4,887	66,763
May	624.3	+21.8	625.5	602.0	213	7,142
Jul	624.3	+21.8	626.0	603.0	176	7,344
Sep	624.3	+21.8	620.0	602.5	437	1,512
Total					5,739	95,945

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	18.40	+0.08	18.45	18.20	21,564	123.0k
Mar	18.54	+0.05	18.61	18.40	3,895	46,111
Apr	18.71	+0.07	18.76	18.61	2,968	26,829
May	18.84	+0.05	18.84	18.79	1,548	21,677
Jun	18.94	+0.05	18.98	18.85	3,340	32,454
Jul	18.99	+0.05	19.04	18.93	1,851	17,976
Total					48,222	484,446

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	17.40	+0.12	17.44	17.15	9,832	78,584
Mar	17.47	+0.09	17.51	17.34	1,458	39,297
Apr	17.54	+0.08	17.57	17.45	1,504	17,323
May	17.61	+0.08	17.64	17.53	523	11,869
Jun	17.66	+0.07	17.69	17.63	1,913	18,778
Jul	17.70	+0.06	17.75	17.67	765	6,191
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	51.25	+0.10	51.35	50.85	14,310	30,375
Feb	51.60	+0.09	51.70	51.25	7,481	45,190
Mar	51.75	+0.04	51.80	51.55	2,415	19,624
Apr	51.65	+0.19	51.70	51.40	1,339	11,194
May	51.40	+0.34	51.40	51.05	615	8,599
Jun	51.25	+0.34	51.30	51.20	385	11,003
Total					27,369	147,673

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	158.75	-	159.50	157.75	4,892	26,005
Feb	159.75	+0.25	160.00	158.25	2,278	16,359
Mar	160.25	-	160.50	159.25	1,281	11,645
Apr	161.00	+0.25	161.00	160.00	481	4,875
May	161.00	+0.50	161.00	160.25	80	3,412
Jun	161.00	+0.50	167.00	160.00	235	11,216
Total					9,909	88,642

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Jan	16.300	-0.150	16.300	16.150	50	4,125
Feb	16.450	-0.050	16.450	16.350	260	3,380
Total					660	15,120

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.220	-0.147	2.360	2.180	29,987	32,770
Feb	2.195	-0.107	2.300	2.170	10,835	39,885
Mar	2.145	-0.108	2.250	2.140	2,539	24,683
Apr	2.095	-0.092	2.180	2.080	1,173	12,033
May	2.090	-0.077	2.170	2.090	698	8,754
Jun	2.100	-0.083	2.165	2.100	207	8,948
Total					47,702	213,209

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	55.40	-0.30	55.65	55.10	11,194	19,470
Feb	55.80	-0.24	56.05	55.50	5,436	31,178
Mar	56.25	-0.19	56.45	55.95	1,753	12,341
Apr	58.65	-0.14	58.75	58.60	897	12,882
May	58.35	-0.19	58.50	58.40	270	10,108
Jun	58.10	+0.16	58.10	58.10	112	8,078
Total					19,502	106,182

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	81.25	-0.10	81.30	81.10	51	293
Mar	83.80	-0.10	84.00	83.75	92	3,004
May	85.80	-0.10	86.25	85.75	33	3,787
Jul	87.80	-0.10	-	-	-	478
Sep	80.55	-0.10	-	-	-	38
Total					n/a	n/a

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	335.75	+2.75	336.50	332.50	7,843	56,106
May	343.25	+2.25	344.00	340.50	997	12,363
Jul	349.25	+2.25	349.50	346.00	1,721	19,675
Sep	355.00	+1	354.00	354.00	124	725
Dec	365.50	+2	367.00	365.00	187	2,851
Jul	365.00	-	-	-	-	46
Total					10,764	91,768

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	267.00	+3.75	268.00	262.00	28,436	173,109
May	274.25	+3	274.75	269.75	5,133	49,288
Jul	278.75	+3.25	280.25	275.25	8,029	59,288
Sep	278.50	+2.5	278.50	275.50	594	6,627
Dec	282.25	+2.75	282.50	278.75	3,014	33,534
Mar	287.75	+2.75	287.50	284.50	78	1,097
Total					45,292	324,038

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Jan	74.40	+0.10	74.20	74.20	18	184
Mar	77.30	+0.10	77.20	77.20	15	1,451
May	78.35	+0.10	-	-	-	20
Sep	77.75	-	-	-	-	6
Nov	79.75	-	-	-	-	122
Total					n/a	n/a

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	679.50	-0.5	680.00	675.75	15,058	37,651
Mar	681.25	-0.25	682.00	677.50	7,694	44,472
May	686.00	-1	687.00	683.25	1,781	25,776
Jul	689.75	-0.75	690.00	687.50	1,070	25,816
Aug	687.50	-1.25	689.00	686.00	149	4,128
Sep	674.50	+0.5	675.00	675.00	5	223
Total					26,029	148,603

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jan	24.64	-0.15	24.78	24.52	7,593	21,808
Mar	25.01	-0.19	25.16	24.90	5,334	44,854
May	25.23	-0.16	25.45	25.16	984	15,578
Jul	25.35	-0.1	25.42	25.25	645	12,808
Aug	25.25	-0.12	25.40	25.20	26	3,523
Sep	25.11	-0.14	25.20	25.20	10	1,252
Total					14,616	101,572

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jan	206.8	+0.2	207.0	205.6	8,593	22,999
Mar	204.3	+0.6	204.6	202.4	5,060	35,582
May	203.8	+0.5	203.8	201.5	2,297	23,238
Jul	205.2	+0.5	205.2	203.4	1,171	16,081
Aug	205.4	+0.4	205.2	204.3	246	4,963
Sep	205.2	+0.2	205.3	204.0	161	3,616
Total					17,564	110,660

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	92.0	-	-	-	-	-
Apr	113.0	+1.0	113.0	112.0	26	1,085
May	123.0	+1.0	123.0	122.0	11	44
Jun	133.0	+1.0	-	-	-	-
Nov	58.0	-	-	-	-	-
Total					n/a	n/a

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Jan	1155	-10	1165	1155	18	693
Feb	1165	-10	-	-	-	181
Mar	1190	-10	-	-	-	-
Apr	1250	-5	1250	1250	3	447
Jul	1130	-	1130	1130	3	123
Total					n/a	n/a

	Close	Prev
BFI	n/a	1244

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	477.50	+3.00	477.50	477.50	2	353
Jun	498.50	+3.00	498.50	498.50	2	263
Total						

FUTURES DATA
All futures data supplied by CMS.

Minor metals from Metal Bulletin
European free market, $ per lb in warehouse (changes in brackets). Antimony: 99.65%, $ per tonne, 1,540-1,610 (1,550-1,630). Bismuth: min. 99.99%, tonne lots 3.10-3.25 (3.20-3.35). Cadmium: min. 99.95%, cents a pound, 30.00-40.00 (35.00-40.00). Cobalt: min. 99.8%, 25.00-25.80 (25.25-26.00); min. 99.3%, 18.00-18.50 (18.60-19.30). Mercury: min. 99.99%, $ per flask, 140-150. Molybdenum: drummed molybdic oxide, 3.75-3.90 (3.80-3.95). Selenium: min 99.5%, 2.00-3.00. Tungsten ore: min. 85%, $ per tonne (10kg) WO_3, CIF, 40-52. Vanadium: min. 98%, CIF, 5.20-5.60 (4.65-4.85).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1038	+14	1022	1019	7	231
Mar	1063	+14	1064	1030	3,093	69,543
May	1087	+15	1087	1058	1,301	25,748
Jul	1106	+13	1104	1082	674	12,002
Sep	1126	+13	1120	1100	671	22,308
Dec	1148	+10	1132	1127	265	24,889
Total					n/a	n/a

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1650	+30	1654	1616	6,970	42,152
May	1684	+30	1685	1651	976	20,681
Jul	1710	+29	1710	1679	384	5,458
Sep	1736	+28	1734	1702	841	6,322
Dec	1764	+28	1735	1733	375	9,086
Mar	1786	+26	1770	1770	563	8,579
Total					10,109	95,463

■ COCOA (ICCO) (SDR's/tonne)

Dec 22	Price	Prev. day
Daily	1268.09	1314.95

■ COFFEE LIFFE (5 tonnes; $/tonne)

Jan	1685	+37	1694	1647	1,222	7,051
Mar	1670	+40	1680	1630	1,465	25,959
May	1660	+36	1666	1621	570	7,607
Jul	1650	+36	1650	1628	17	1,522
Sep	1650	+36	1655	1645	-	619
Nov	1655	+36	-	-	-	30
Total					n/a	n/a

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	162.40	+5.35	163.00	158.00	5,435	16,229
May	157.75	+4.50	158.00	154.00	813	5,672
Jul	152.50	+5.00	152.50	148.50	205	2,793
Sep	146.00	+4.50	142.75	142.25	190	1,342
Dec	142.00	+4.75	140.50	140.00	95	1,200
Mar	139.00	+3.85	-	-	94	292
Total					6,832	27,558

■ COFFEE (ICO) (US cents/pound)

Dec 22	Price	Prev. day
Comp. daily	122.22	123.21
15 day average	131.05	131.35

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Mar	307.9	+0.2	308.0	307.2	554	22,088
May	312.0	+0.1	312.0	311.5	113	6,684
Aug	313.5	-0.1	313.8	313.0	40	4,975
Oct	308.1	-0.1	308.7	308.7	58	4,463
Dec	309.0	-1.2	309.0	309.0	10	153
Total					n/a	n/a

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	12.21	-0.03	12.28	12.20	4,755	96,553
May	12.00	-0.03	12.03	11.98	745	33,890
Jul	11.61	-0.01	11.63	11.61	730	30,026
Oct	11.54	+0.01	11.54	11.52	306	26,404
Mar	11.42	+0.03	11.43	11.40	176	7,453
May	11.37	+0.03	-	-	176	1,121
Total					6,728	196,736

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	67.43	-0.45	68.34	67.12	4,620	42,050
May	68.69	-0.46	69.60	68.41	698	15,044
Jul	70.00	-0.30	70.70	69.85	345	14,786
Oct	71.75	-0.35	72.12	72.12	173	1,363
Dec	72.49	-0.17	72.95	72.40	387	13,211
Mar	73.63	-0.13	-	73.25	35	410
Total					6,264	87,302

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	84.50	-0.80	85.15	84.10	3,064	9,233
Mar	88.10	-0.53	89.00	87.80	2,626	23,649
May	91.35	-0.65	92.00	91.10	885	5,889
Jul	94.55	-0.75	95.40	94.50	173	3,787
Sep	97.85	-0.65	-	-	50	1,350
Nov	100.20	-1.05	-	-	14	1,593
Total					6,795	46,284

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 23	Dec 22	month ago	year ago
1744.2	1749.20	1801.8	1784.7

■ CRB Futures (Base: 1967 = 100)

Dec 22	Dec 19	month ago	year ago
231.36	233.48	-	-

■ GSCI Spot (Base: 1970 = 100)

Dec 22	Dec 19	month ago	year ago
179.02	182.12	192.71	224.05

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-1,360	to	625,625
Aluminium alloy	-80	to	42,540
Copper	-375	to	329,425
Lead	-150	to	112,175
Nickel	+246	to	66,258
Zinc	+850	to	469,575
Tin	-85	to	12,455

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	65.550	-1.200	66.925	65.250	1,542	1,548
Feb	65.750	-0.175	66.350	65.625	4,542	48,606
Apr	68.600	-0.075	69.075	68.500	2,573	26,534
Jun	68.075	+0.150	68.300	67.950	1,195	15,856
Aug	69.025	+0.125	69.200	68.900	362	6,439
Oct	71.700	-0.025	71.900	71.700	185	1,808
Total					10,411	101,111

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Feb	58.950	-0.100	59.450	58.900	1,579	20,624
Apr	57.150	+0.025	57.450	56.850	1,373	8,204
Jun	65.250	+0.050	65.450	65.150	921	5,600
Jul	64.250	+0.025	64.500	64.175	248	1,541
Aug	61.775	+0.050	61.850	61.700	62	272
Oct	57.750	-	57.800	57.650	99	615
Total					4,366	37,011

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	54.900	-0.550	55.750	54.800	1,053	5,991
Mar	54.350	-0.250	55.200	54.250	127	1,314
May	55.350	-0.400	55.700	55.000	20	1,029
Jul	54.700	-0.425	55.100	54.500	13	608
Aug	50.725	+0.025	52.100	50.725	5	93
Total					1,218	9,862

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
n/a				
n/a				
n/a				
■ COPPER (Grade A) LME	**Jan**	**Apr**	**Jan**	**Apr**
n/a				
n/a				
n/a				
■ COFFEE LIFFE	**Jan**	**Mar**	**Jan**	**Mar**
1700	77	100	107	140
1750	61	85	141	175
1800	49	72	179	212
■ COCOA LIFFE	**Mar**	**May**	**Mar**	**May**
1050	44	74	31	37
1075	32	60	44	48
1100	23	50	60	63
■ BRENT CRUDE IPE	**Feb**	**Mar**	**Feb**	**Mar**
1700	-	-	22	37
1750	-	-	44	-
1800	15	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$15.93-6.03	-0.03
Brent Blend (dated)	$17.04-7.08	-0.02
Brent Blend (Feb)	$17.39-7.43	
W.T.I.	$18.36-8.38	-0.05

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$180-182	
Gas Oil	$160-162	
Heavy Fuel Oil	$76-78	+1
Naphtha	$165-167	-0.5
Jet fuel	$181-183	
Diesel	$168-169	-0.5

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	16.25-16.35	-0.15

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

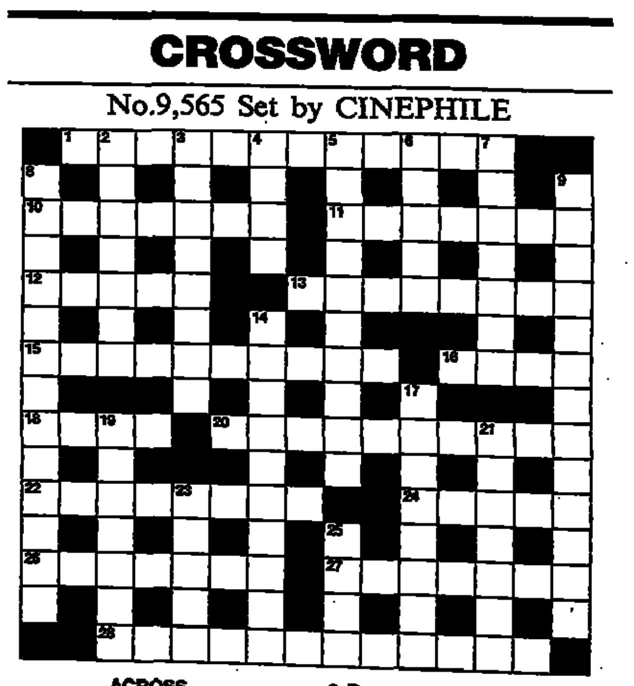
Gold (per troy oz)♣	$293.35	+1.90
Silver (per troy oz)♣	618.00c	+14.0
Platinum (per troy oz.)	$353.00	
Palladium (per troy oz.)	$185.00	+3.0
Copper	85.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.30r	
Tin (New York)	253.5	+1.0
Cattle (live weight)	94.55p	+2.86*
Sheep (live weight)	92.73p	-5.75*
Pigs (live weight)†	70.21p	+3.22*
Lon. day sugar (raw)	$296.00	-1.60
Lon. day sugar (wte)	$301.50	-0.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	54.50p	
Rubber (Jan)♥	54.50p	
Rubber (KL RSS No1)	274.5z	+4.0
Coconut Oil (Phil)§	555.0y	-20.0
Palm Oil (Malay.)§	555.0	-5.0
Copra (Phil)§	$387.5y	
Soyabeans (US)	183.5	-4.5
Cotton Outlook'A' Index	73.55c	+0.10
Wooltops (64s Super)	389p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. w Jan. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 2,532 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,565 Set by CINEPHILE



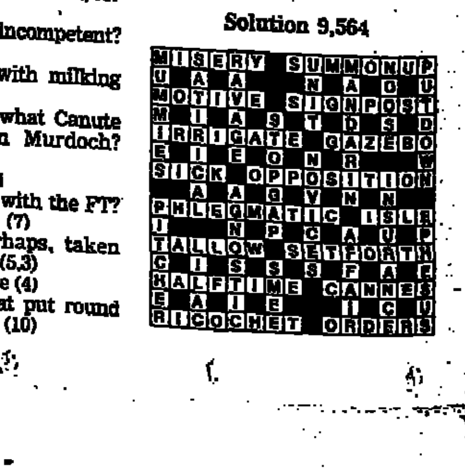
ACROSS

1 Theological leaders out of favour: angry look in heaven? (12)
10 On account of creditor's name to follow (5,2)
11 Arbitrator at home to queen should strike oil (7)
12 Look for custom around river with fish (5)
13 Skill needed in grinder to produce a loaf (8)
15 Pre-Queensberry sport, if brought back, finds copper among corpses (10)
16, 18 Inflammable in candle, they meet in economy (4,4)
20 An ice cream supplier for the movies (4,6)
22 Jester, performing, set fire to sleeper (5-3)
24 Cheese, initially French, for lawyer (5)
26 Famous and incompetent? (7)
27 Games room with milking machines? (7)
28 Britannia did what Canute couldn't –can Murdoch? (4,3,5)

DOWN

2 Fellow in love with the FT? That's terrible (7)
3 Nocturne, perhaps, taken on late walks (5,3)
4 Love of the rose (4)
5 Mark like a hat put round electric cable? (10)
6 Present proposal (5)
7 Music-hall artiste and lone presenter (3,4)
8 Port in Isle of Wight different one, possibly (9,4)
9 RAF founder, incomplete without western food, fought in World War I (6,7)
14 Generous in providing for me it incorporated with NUT (10)
17 Capital may be right for painter (8)
19 Closely follows sailor, the brightest of them all (3,4)
21 A small letter is a poem – that's part of the story (7)
23 Aristocrat takes a high line as a prize-giver (5)
25 Primate keeping Sabbath round end of church (4)

Solution 9,564



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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (FSA RECOGNISED)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

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BAII Asset Management Ltd
10 Piccadilly, London W1V 0EE 0171 734 3700

Bank Von Ernst & Cie AG
0041 313291111

Banque Indosuez

Barclays Diversified Portfolio (z)

Frontrunner I (u)

GT Global
(44) 171 710 4567 London (852) 2842 7200 Hong Kong

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

TCW Luxembourg Funds

Friends Provident International

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Intermarket NAV Nov 20 F		$575.01		+0.68	–
UK Equity		£17.98		–	–
UK Smaller Co's Eqty		£27.45		-0.02	–
Nth American Equity		$17.57		+0.12	–
European Equity Fd					
GT Europe A		$83.78	88.17		0.13
GT Europe A		£50.94	53.67		0.13
GT Europe B		$84.15			0.15
GT Europe B		£50.27			0.15
Indosuez European Small Cos		DM14.64		-0.01	–
Indosuez Multimedia		$17.71		–	–

هكذا من الاصل

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Offshore Insurances and Other Funds

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	Selling Price	Buying Price	+ or -	Yield Gross
Professional Investment Consultants				
Premier Lux $	$1.17	1.25	—	-
Premier Lux £	£0.80	0.85	—	-
PCI Worldwide Opps	£1.330	1.439	—	-
SPLA Flexible Growth	$1.006	1.084	—	-
Royal Life International				
Royal Court, Arbory Rd, Castletown IoM			01624 821212	
Pension Growth A	£1.726	1.859	—	-
Pens Growth (Gross)		£2.492	-0.006	-

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
The Global Managed Investec Bond Limited				
Global Growth	$1.130	1.187	+0.002	0.00
Managed Fd USD Class	$1.154	1.212	+0.002	0.00
Managed Fd DEM Class	DM1.161	1.219	+0.008	0.00
Managed Fd GBP Class	£1.142	1.200	-0.003	0.00
Global Portfolio (BVI) Management Ltd				
Hydra	$12526.90		—	-
Ponte 1 Fd Ltd Sep 30	Y1132011		—	-
Ponte Directional Currency	69094		—	-
Ponte Europe USD	$26717		—	-
Ponte Europe DM	DM52.33481		—	-
Globalvest Management Co LP				
Latinvest Dec 1	$50.3		—	-
Bonvest Dec 1	$37.87		—	-

	Selling Price	Buying Price	+ or -	Yield Gross
JF Asia Lux Tst	Y7612	8064	-43	
JF Japan Tst	Y3372.06	363.70	-8.52	-
JF	$9.06		-0.01	-
Only available during special offer periods * Prices as at December 22				
Jupiter Asset Management (Asia) Ltd				
Hong Kong Investment Co Ltd	$0.73		-0.04	-
Philippine Investment Co Ltd	$0.53		-0.01	-
Jupiter Asset Mngt (Bermuda) Ltd				
Jupiter Hedge	£1.55	1.64	-0.05	-
Jupiter Tyndall Specialist Fund Ltd				
Brazil Class	$1.27	1.34	+0.02	-
Asian Smaller Companies Class	$0.21	0.23	+0.02	-
Mexico Class	$1.40	1.48	+0.02	-

	Selling Price	Buying Price	+ or -	Yield Gross
Goldman Sachs				
GS Global Currency Oct 31	$1731.84		—	-
GS Global Currency SF Oct 31	SFr1274.24		—	-
Griffin Capital Management				
Eastern European Value			—	-
Group One International Tst				
GAMA UCITS Series 1	$195.74		-0.05	-
GAMA UCITS Series 2	$420.84		-0.02	-

	Selling Price	Buying Price	+ or -	Yield Gross
KD Offshore Fund, C.V.				
	$54.8		—	-
Kenmar Management Limited				
Alternative Inv Strat	$25.000		—	-
Kenmar Global Investments Ltd				
Aquila Growth Nov 30	$24.728		—	-
	$22.8		—	-
	$24.587		—	-
	$27.279		—	-
	$31.736		—	-
	$28.307		—	-
	$25.341		—	-

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

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[illegible]

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LONDON STOCK EXCHANGE

Footsie shuns festive spirit for year-end caution

MARKET REPORT

By Peter John

The UK equity market limped towards the long Christmas holiday yesterday, responding grudgingly to Monday's gains on Wall Street.

Low turnover and a tight trading range suggested that fund managers had already positioned themselves for the yea-end.

The FTSE 100 index closed 31.6 points higher at 5,049.8, comfortably in line with the second wave of economists' forecasts made in the summer.

The index was also some 15 per cent above the consensus target made at the start of the year.

Normally, the market would be delighted with such a performance. But a good year for marketmakers has been offset by the introduction of the order-driven trading system.

And institutional investors still have to worry about the prospect for a further big Asian upset, given that they will be unable to react from midday today until Monday.

A raft of chunky economic data is expected to be announced in Tokyo on Christmas Day and Boxing Day. Any significant deviation from expectations could trigger another slide in the hard-pressed Nikkei 225 average.

Furthermore, there is concern that fourth-quarter results in the US might disappoint and prompt sharp corrections in individual stocks.

On the other hand, a surge in UK liquidity is expected in the first few weeks of 1998 and, considering that institutions already have the highest cash weightings for years, it would take a large dollop of bad macro-economic news to mop it all up.

A senior salesman at one of the bigger agency brokers said: "Japan is the big worry. But there is about £17bn to come back to the funds in the first five or six weeks of next year because of all the bids and special dividends. That cash has to go somewhere."

With Japan closed yesterday for the birthday of Emperor Akihito, the market was able to concentrate on the positive.

Footsie opened softly but shrugged off a wider than expected trade deficit – the global figure came in at £1.35bn against a consensus of £1.2bn – and headed slowly higher.

There was a pause in mid-afternoon when the Dow Jones Industrial Average traded 50 points off within a few minutes of the open. However, the US market recovered later and government bonds held their nerve so Footsie built on the earlier gains.

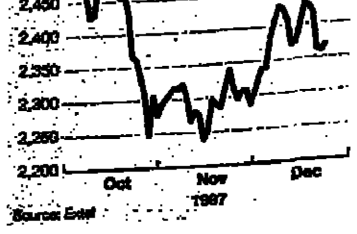
The FTSE 250 rose 4.5 to 4,706.3 and the FTSE SmallCap index eased 1.0 to 2,291.3.

Overall turnover by 6pm was 620m shares, down from Monday's desultory 642m.

One observer which has become more positive on UK equities is Morgan Stanley Dean Witter. The US broker has raised its Footsie forecast for the end of 1998 by 4 per cent to 6,000.

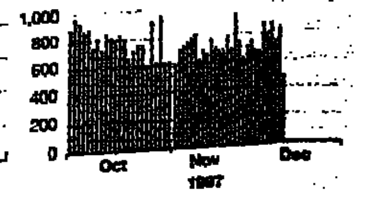
"UK profitability and creditworthiness are on a secular uptrend. Moreover, as the convergence play holds down gilt yields into the longer term, equity investors are getting the best of both worlds," Morgan Stanley says.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	5049.8	+31.6
FTSE 250	4706.3	+4.5
FTSE 350	2428.3	+12.8
FTSE All-Share	2371.69	+11.59
FTSE All-Share yield	3.28	3.30
FT 30	3241.80	+16.3
FTSE Non-Fins p/e	20.94	19.64
FTSE 100 Fut Mar	5109.0	+54.0
10 yr Gilt yield	6.29	6.34
Long gilt/equity yld ratio	1.93	1.93

Best performing sectors

1 Extractive Inds .... +1.8
2 Banks: Retail .... +1.4
3 Support Services .... +1.4
4 Telecommunications .... +1.3
5 Oil Exploration .... +1.2

Worst performing sectors

1 Tobacco .... -1.9
2 Alcoholic Beverages .... -1.6
3 Building & Construction .... -0.8
4 Diversified Inds .... -0.8
5 Paper: Pckg & Printing .... -0.4

Telecoms ring up gains

Mobile telephone operators were in demand as two of the leading issues in the sector moved ahead strongly.

Orange was the best performing stock in the FTSE 100 after the shares appreciated 14 or 5.6 per cent to 264p. The low volume in the stock pointed to a squeeze rather than solid investment buying.

Meanwhile, Vodafone gained 12½ to 450½p in busy trade of 11m on a combination of corporate activity and broker's recommendations.

The company said yesterday it had exercised an option to increase its stake in Societé Francaise de Radiotelephone, the French digital network operator, from 16.1 per cent to 20 per cent.

Sentiment was enhanced by reports of broker recommendations. BZW was said to be positive while Merrill Lynch was reported to have advised clients to "accumulate" the stock.

BT saw business of 4.9m as the shares hardened 2¼ to 472½p, while Cable & Wireless improved 4 to 531p.

Fears that Monday's move by Coca-Cola to acquire Orangina might put pressure on Cadbury Schweppes' Sunkist orange drink cast a shadow over the stock yesterday afternoon. The shares slipped 6½ to 612½p in trade of 2.3m.

Orangina is one of the leading soft drink brands in France but has limited exposure in other European countries and small sales in the US.

However, Coca-Cola plans to use its worldwide distribution network to increase Orangina's sales, a move feared by other soft drinks manufacturers.

NatWest Securities was also said to be cautious on the stock.

In financials, Lloyds TSB gained 25 to 761p as the market appreciated news of a couple of disposals. The group said its subsidiary Lloyds UDT has sold Endeavour Personal Finance to Beneficial Bank. Lloyds did not disclose financial details of the deal but said around £25m from the sale will be included in its accounts for the year to December 31 1997.

The group also said its subsidiary, Lloyds Bank Factors, had agreed the sale of International Factors to BNY Financial Corporation, a subsidiary of The Bank of New York Company for a profit of about £160m.

Talk of consolidation continued to do the rounds elsewhere in the sector.

Much of the discussion centred on Abbey National, which helped send the shares 41 ahead to £10.69.

Blue Circle continued its recovery from recent selling and rose 17 to 332p in brisk volume of 6.2m. The stock, which stood at 448p in August, had dropped in response to its exit from the FTSE 100, and yesterday's rise gave it one of the bigger rises in the FTSE 250.

Elsewhere in building-related stocks, Tilbury Douglas was unchanged at 194p after Merrill Lynch was said to have changed its stance on the stock from "reduce" to "neutral".

Optoplast, the spectacle case maker, saw its shares rise from 128p to 142p in the first day of trading on Aim.

Wilshaw attracts

Wilshaw, the magnet maker that supplies Ford and General Motors, rose 2¼ to 40p after it said it had raised £22.5m by a disposal.

The recent signing of the Eurofighter accord saw some engineering-related stocks advance, led by GEC, which gained 2 to 388p.

Others to benefit included Smiths Industries, which gained 12 to 840p, while Rolls-Royce rose 1¼ to 228p. However BAe ran into profit-taking and shed 15 to £16.70.

TI lifted 15½ to 467p as its shares reacted to the news of its acquisition of Sealol in the US from EG&G and its sale to EG&G of Belfab, which supplies the semi-conductor industry. The news produced positive comments from several houses, including ABN Amro Hoare Govett and BZW.

Among smaller companies, First Call, the ticket sales group, gained 3¾ to 10p after it accepted a 10¼p-a-share bid from Loyalty Management Holdings of the Netherlands. The offer values First Call at £7.35m.

Ionica, the telecommunications group that floated in July at 390p, gained 9 to 96½p after the company said Michael Biden, its recently appointed chief operating officer, had bought 68,000 shares at 84p each.

Reflec, the ink producer, lost 22 to 9½p after a profit warning that focused on product development problems.

A profits warning also hit Acatos & Hutcheson, the edible oils and fats manufacturing group, which lost 26 to 259p.

FTSE GOLD MINES INDEX

	Dec 22	% chg on day	Dec 19	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1024.69	+1.6	1008.88	1831.15	2.70	-	1907.49	903.02
■ Regional Indices								
Africa (15)	1108.40	+3.1	1074.56	2131.20	6.34	19.67	2333.58	921.78
Australasia (6)	1043.95	+2.0	1023.74	2160.97	3.46	13.67	2217.80	933.63
North America (12)	1006.94	+1.0	997.15	1705.33	1.28	37.45	1780.66	894.94

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5059.0	5109.0	+54.0	5110.0	5055.0	3257	57180
Jun		5168.0	+54.0			0	25

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4773.0	+6.0			0	6349

■ FTSE 100 INDEX OPTION (LIFFE) (*5051) £10 per full index point

	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P
Jan	255	70½	215½	83	178	98½	148	119	117	140½	91½	168	70½	199	51	235
Feb	359½	141½	318½	157½	285½	176½	253	194½	219½	215½	188½	239	163½	268½	149	297
Mar	388½	182	357	201½	325	220½	293½	240½	262½	260½	232½	282½	210	310½	187½	339
Apr	413½	203½	387	287	361½	250½	335½	274	309½	298	283½	323½	264½	354½	246	386
Jun†	521	267½			460½	306			400	345½			341	392½		

Calls 133 Puts 173

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P
Jan	224	71	187½	84	153	99½	122	118	96½	142	73½	169	54½	200	38½	234½
Feb	328½	145	293½	160	268	176	228½	194	200	215	173	237½	148	263	125½	288½
Mar	371½	190½	338	206	307½	225	278½	245½	259½	266½	224½	289½	205	319	176½	339½
Jun	509½	275			447	309			386½	345			330	385		
Sept†	615	319½			557	356½			503½	398			492½	441½		

Calls 3,183 Puts 3,671 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT 30 INDEX

	Dec 23	Dec 22	Dec 19	Dec 18	Dec 17	Yr ago	*High	*Low
FT 30	3241.8	3225.5	3228.7	3288.2	3285.9	2796.6	3430.3	2689.8
Ord. div. yield	3.46	3.49	3.49	3.42	3.42	4.13	4.22	3.29
P/E ratio net	20.94	20.78	20.76	21.19	21.19	17.26	22.33	15.80
P/E ratio nil	20.65	20.50	20.48	20.90	20.90	17.09	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3225.0	3231.4	3226.2	3232.1	3239.6	3233.8	3236.2	3232.9	3244.7	3247.1	3222.3

	Dec 23	Dec 22	Dec 19	Dec 18	Dec 17	Yr ago
SEAQ bargains	36,996	42,983	54,634	48,987	49,511	14,010
Equity turnover (£m)†	-	NA	NA	NA	NA	913.9
Equity bargains†	-	NA	NA	NA	NA	17,395
Shares traded (m)†	-	NA	NA	NA	NA	358.4

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	711	Total Highs	95	Total contracts	9,639
Total Falls	741	Total Lows	134	Calls	4,669
Same	1,589			Puts	4,970

Dec 23 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	95	93½	Abbey Nat Dublin II	93½		-	-	-	-
§250	F.P.	70.8	267½	262	Autologic	267½		R7.5	2.0	3.5	18.3
§140	F.P.	29.7	167½	148½	†BCO Techs	168½		-	-	-	-
-	F.P.	13.0	21½	16½	Boustead	19½		-	-	-	-
§200	F.P.	218.3	204½	184½	Bovis Homes	193½		R9.4	2.4	6.1	8.6
§-	F.P.	2.35	73	53	Comland Comm	59		-	-	-	15.1
280	F.P.	390.0	273½	259½	Energis	260½		-	-	-	-
-	F.P.	-	2180	£168	Fmg Grd Units	£179		-	-	-	-
§25	F.P.	1.42	35½	29½	†General Inds	35½	+½	-	-	-	-
§105	F.P.	22.8	133½	123½	†Gooch & Housego	133½		L1.47	3.9	1.4	20.8
§	F.P.	20.2	270	270	Manchester & Lon Inv	270		1.33	3.9	0.6	52.5
§110	F.P.	129.9	124½	110½	Marchpole	111½	-1	R3.65	2.1	4.1	14.8
§	F.P.	8.17	57½	54½	†Market Link Publ	55		-	-	-	11.7
-	F.P.	22.8	144½	115½	Nthn Recruitment	138½	-½	L1.73	4.1	1.6	17.4
§128	F.P.	12.3	142	137½	†Optoplast	142		H3.07	3.4	2.7	11.1
§6	F.P.	9.54	7½	7	†Property Asset	7		-	-	-	-
-	F.P.	8.12	6¾	6	†Range Cooker Co	6½		-	-	-	12.2
-	F.P.	21.2	98½	92½	†Rapid Technology	94½		-	-	-	-
§102	F.P.	23.2	102½	102½	†Razorback Vhcls	102½		-	-	-	-
§105	F.P.	35.5	114½	110½	SCS Upholstery	111½		L2.7	2.0	3.0	21.0
§-	F.P.	241.9	114½	108½	Saatchi & Saatchi	109	-3	H1.2	3.0	1.4	29.5
§	F.P.	164.8	103¾	95½	Second Scot Natl	103¼	+¼	-	-	-	12.0
§230	F.P.	51.2	238½	230	Sylsar	233½	-½	R6.9	3.0	3.7	10.9
§160	F.P.	44.4	176½	160	Tetra	176½		L0.8	6.9	0.6	28.5
*	F.P.	-	50	40½	Vanguard Md Wts	43½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Dec 22	Day's chge%	Dec 19	Dec 18	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5018.2	----	5020.2	5168.3	4087.2	3.23	2.57	2.06	18.75	142.53	2165.25
FTSE 250	4701.8	-0.1	4705.1	4735.8	4454.6	3.58	2.96	1.84	18.99	149.35	1990.71
FTSE 250 ex IT	4739.9	-0.1	4742.7	4766.7	4502.0	3.69	3.05	1.88	17.98	155.24	2013.88
FTSE 350	2415.5	----	2416.6	2477.4	2028.1	3.30	2.73	2.02	18.80	70.19	2129.95
FTSE 350 ex IT	2419.3	----	2420.3	2481.4	-	3.32	2.74	2.03	18.59	38.21	1094.13
FTSE 350 Higher Yield	2415.4	-0.1	2417.5	2476.7	1943.5	4.24	3.53	1.89	15.62	87.83	1812.92
FTSE 350 Lower Yield	2430.0	----	2430.0	2492.5	2120.3	2.34	1.90	2.24	23.85	53.26	1747.23
FTSE SmallCap	2292.34	-0.1	2295.05	2301.58	2164.16	3.31	2.67	1.60	23.57	65.00	1970.28
FTSE SmallCap ex IT	2296.68	-0.1	2298.56	2299.69	2170.25	3.53	2.85	1.67	21.16	69.98	1992.93
FTSE All-Share	2360.10	----	2361.28	2417.28	1998.06	3.30	2.72	1.99	19.04	68.45	2112.17
FTSE All-Share ex IT	2365.76	----	2366.78	2423.25	-	3.33	2.75	2.01	18.72	37.68	1089.14

■ FTSE Actuaries Industry Sectors

	Dec 22	Day's chge%	Dec 19	Dec 18	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4407.41	+0.6	4380.92	4569.91	3916.20	3.55	2.91	1.81	19.46	140.69	1995.26
12 Extractive Industries(5)	2914.14	+1.6	2868.92	2989.34	4015.10	4.82	4.28	1.89	13.72	139.64	898.21
15 Oil, Integrated(3)	4858.67	+0.5	4833.12	5041.45	4035.87	3.58	2.89	1.77	19.71	154.87	2263.72
16 Oil Exploration & Prod(12)	3518.30	----	3517.37	3578.44	3223.33	1.63	1.34	2.32	33.00	52.82	2164.10
20 GEN INDUSTRIALS(255)	1961.85	-0.1	1963.69	1994.18	2001.44	3.98	3.38	1.98	15.85	69.90	1136.61
21 Building & Construction(36)	1283.09	----	1282.67	1280.25	1198.03	3.68	2.96	2.36	14.41	42.45	1130.23
22 Building Matls & Merchs(29)	1708.15	+0.6	1697.25	1755.51	1811.20	4.49	3.70	1.93	14.45	67.23	915.46
23 Chemicals(26)	2530.72	-0.1	2532.35	2572.51	2337.02	3.93	3.42	1.71	18.61	93.70	1276.85
24 Diversified Industrials(13)	1239.36	-0.8	1249.32	1238.43	1482.33	5.50	5.17	2.63	8.66	66.78	750.04
25 Electronic & Elect Equip(33)	2153.00	-1.8	2191.40	2198.39	2269.72	4.14	3.36	1.68	17.99	57.27	1175.08
26 Engineering(64)	2698.67	+0.1	2696.13	2780.16	2620.54	3.11	2.62	2.42	16.57	75.51	1717.80
27 Engineering, Vehicles(13)	3417.98	+1.5	3367.88	3382.25	3009.93	2.88	2.43	0.05	80.00†	97.94	1864.24
28 Paper, Pckg & Printing(27)	2118.28	-0.1	2120.55	2129.02	2557.42	4.91	4.04	1.92	13.24	92.40	940.66
29 Textiles & Apparel(14)	997.30	-0.5	1002.78	998.69	1046.32	6.76	5.61	1.18	15.58	63.66	670.27
30 CONSUMER GOODS(84)	4844.16	+0.4	4827.11	4956.57	3758.04	3.09	2.69	1.83	22.09	140.25	1891.85
32 Alcoholic Beverages(6)	3293.29	----	3293.85	3358.00	2703.92	3.53	3.49	2.22	16.00	120.25	1268.50
33 Food Producers(25)	3253.43	-0.7	3276.70	3348.69	2692.62	3.32	2.75	1.92	19.58	98.91	1557.32
34 Household Goods(17)	2976.63	-0.1	2980.92	3066.59	2606.63	3.32	2.90	2.48	15.20	90.19	1237.87
36 Health Care(14)	2269.39	-0.8	2287.09	2291.58	2020.13	2.27	1.89	1.81	30.49	53.27	1436.17
37 Pharmaceuticals(19)	8016.03	+1.2	7921.41	8158.93	5711.64	2.33	1.95	1.70	31.57	171.89	2839.37
38 Tobacco(3)	4570.74	-0.9	4610.94	4788.17	4013.97	6.21	5.48	1.60	12.56	256.01	1247.50
40 SERVICES(273)	2795.28	-0.5	2810.55	2847.59	2612.81	2.95	2.39	2.04	20.70	72.19	1522.60
41 Distributors(28)	2472.31	-0.1	2475.73	2490.02	2930.21	3.84	3.14	2.04	15.98	84.30	958.75
42 Leisure & Hotels(30)	3330.85	-0.1	3332.79	3359.49	3267.86	2.90	2.32	2.19	19.67	87.28	1859.57
43 Media(43)	4039.89	-0.5	4059.60	4133.69	4271.81	2.53	2.09	1.92	25.79	93.68	1513.14
44 Retailers, Food(15)	2685.90	-0.3	2672.94	2713.14	2147.59	3.17	2.54	2.30	17.12	72.23	1798.47
45 Retailers, General(53)	2238.20	-1.2	2264.32	2277.38	2036.24	3.26	2.61	2.17	17.69	65.08	1347.70
47 Breweries, Pubs & Rest.(22)	3539.64	-0.8	3568.28	3645.91	3270.90	3.37	2.70	2.29	16.17	96.20	1787.63
48 Support Services(58)	3385.18	-0.5	3402.34	3451.47	2754.99	1.82	1.49	2.36	29.11	44.42	2217.25
49 Transport(23)	2894.26	-0.1	2895.98	2935.86	2657.74	3.51	2.85	1.29	27.67	68.38	1276.00
60 UTILITIES(32)	3431.85	-0.1	3435.95	3460.93	2537.83	3.93	3.16	1.62	19.81	99.42	1609.28
62 Electricity(9)	3841.23	-0.7	3869.58	3870.11	2758.51	4.86	3.89	2.12	12.15	161.67	2212.32
64 Gas Distribution(2)	2464.88	-0.7	2481.74	2522.84	1528.67	2.64	2.11	‡	‡	81.42	1411.79
66 Telecommunications(9)	2683.26	----	2682.38	2689.80	2109.01	3.28	2.65	1.48	25.72	48.30	1292.90
68 Water(12)	3181.55	+1.0	3150.63	3238.59	2319.77	5.37	4.29	2.21	10.52	119.98	1922.43
69 NON-FINANCIALS(684)	2370.93	----	2371.75	2418.21	2077.47	3.39	2.82	1.88	19.64	69.79	1906.30
70 FINANCIALS(105)	4711.52	-0.1	4714.77	4896.75	3473.49	3.14	2.54	2.42	16.44	135.72	2148.56
71 Banks, Retail(12)	6958.50	-0.2	6971.19	7249.02	4995.09	3.01	2.41	2.53	16.88	190.98	2402.24
73 Insurance(17)	2079.38	-0.6	2092.15	2167.90	1638.90	4.26	3.51	2.78	10.56	85.34	1669.92
74 Life Assurance(6)	5743.49	+0.6	5711.97	5937.68	4030.15	3.18	2.61	2.26	17.37	182.17	2528.69
77 Other Financial(26)	3725.36	+0.4	3711.93	3756.43	2809.19	2.83	2.38	2.06	20.71	97.20	2243.16
79 Property(42)	2127.44	+0.1	2124.51	2180.16	1756.28	3.04	2.50	1.44	26.80	55.23	1361.99
80 INVESTMENT TRUSTS(125)	3333.54	-0.3	3342.67	3405.73	3120.60	2.31	1.85	1.17	46.27	65.42	1203.94
89 FTSE All-Share(894)	2360.10	----	2361.28	2417.28	1998.06	3.30	2.72	1.99	19.04	68.45	2112.17
105 FTSE All-Share ex IT(769)	2365.76	----	2366.78	2423.25	-	3.33	2.75	2.01	18.72	37.68	1089.14
FTSE Fledgling	1246.20	-0.1	1248.03	1252.91	1213.59	3.30	2.65	1.27	29.76	37.18	1384.85
FTSE Fledgling ex IT	1267.78	-0.1	1268.83	1270.98	1231.11	3.59	2.88	1.31	26.64	39.23	1392.52
FTSE AIM	978.3	+0.1	977.1	974.8	-	1.17	0.92	0.40	80.00†	7.94	900.46

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	5026.8	5029.2	5034.0	5040.3	5034.9	5037.4	5032.2	5052.1	5055.0	5017.5
FTSE 250	-	4704.1	4704.9	4706.4	4710.6	4708.6	4708.7	4708.3	4707.7	4711.4	4701.7
FTSE 350	-	2419.9	2420.1	2422.1	2425.0	2422.7	2423.7	2421.6	2429.3	2430.4	2415.3
FTSE SmallCap	2291.55	2291.41	2291.36	2291.40	2291.00	2290.86	2291.09	2291.15	2291.35	2291.63	2290.85
FTSE All-Share	-	2364.01	2364.25	2366.10	2366.69	2365.58	2367.47	2365.60	2372.67	2373.67	2359.82

Time of FTSE 100 Day's high: 4:08 PM Day's low: 8:33 AM. FTSE 100 1997 High: 5330.8 (03/10/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 4:08 PM Day's low: 8:33 AM. FTSE All-Share 1997 High: 2482.41 (03/10/97) Low: 1969.78 (02/01/97)
Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol 000s	Closing price	Day's change
3i†	300	490	-1
AMVESCAP	1,200	487	+2
ASDA Group†	7,900	178	
Abbey National†	1,000	1069	+41
Airtours	80	1201½	-11
Alliance & Leicester†	420	810	-1
Allied Domecq†	844	511	-3
Anglian Water	560	845	+15
Argos	354	530	-9½
Arjo Wiggins	3,200	154	-3
Assoc. Brit. Foods†	272	535	+12
Assoc. Brit. Ports	137	300½	+½
BAA†	1,700	488	-1
BAT Inds.†	3,900	530	-10½
BBA	1,700	400	+10
BOC†	367	985	+20
BG†	6,900	276	
BP†	4,800	797	-2
BPB	1,100	338	+½
BSkyB†	1,600	444	-1
BT†	4,900	472½	+2½
BTR†	10,100	180	-1½
Bank of Scotland†	2,500	565	-12
Barclays†	1,100	1610	+8
Bass†	703	915	+7½
Billiton†	1,200	151½	+2½
Blue Circle†	6,200	332	+17
Boots†	879	872½	+6½
Britannic	378	1089	+5
Brit. Aerospace†	423	1670	-15
British Airways†	2,000	590	+4
British Biotech	357	103	
British Borneo	370	410	+10
British Energy	3,000	417	-10
British Land†	586	678	+19
British Steel†	4,100	129	-1½
Burmah Castrol	316	1023	+21
Burton	804	133½	
Cable & Wire†	1,400	531	+4
Cadbury Schweppes†	2,300	612½	-6½
Caradon	2,800	177	-3½
Carlton Comms.†	2,100	450	-2½
Centrica†	6,500	81	
Comm. Union†	980	853	-3½
Compass	654	734	-5
Cookson	1,700	194	+½
Courtaulds	4,700	398	-5½
Daily Mail A	142	1985	+12½
Danka	831	248½	-16½
Diageo†	7,400	559	-11
Dixons†	0	608	+8
EMAP	107	888½	+11
EMI†	2,700	485¼	+12¼
Electrocomps	101	453	-2
Energy Group†	329	673	-1
Enterprise Oil†	817	582	+12
Fleetech	34	527½	-1
Foreign & Col. I.T.	1,100	187	+½
Gallaher	1,600	334	-7
Gen. Accident†	375	1035	-3
General Elect.†	2,900	388	+2
Glaxo Wellcome†	2,000	1425	+9
Granada†	2,700	925	+19
GUS†	1,200	720	-2
Greenalls	630	432	+4½
GRE†	810	325	+1
GKN†	295	1247	+2
HSBC (75p shs)†	1,200	1525	+5
HSBC (HK$10)†	2,000	1453	+1
Halifax†	2,700	773	+14
Hammerson	8	472½	
Hanson	534	270	-2½
Hays†	637	800	+12½
Hillsdown	1,000	148	+1½
Hyder	214	981	-1½
IMI	213	405½	+1
ICI†	885	930	+7½
Imperial Tobacco	1,800	386½	-6½
Inchcape	1,400	160½	+1½
Johnson Matthey	2,000	538½	+1½
Kingfisher†	1,000	842	+17
Ladbroke†	2,500	285	-4
Land Securities†	992	970	+3
Laporte	46	641	+3
Legal & General†	1,600	514	-1
Liberty Intl.	28	475	-5½
Lloyds TSB†	4,500	761	+25
LASMO†	2,200	268	+3
LucasVarity†	3,000	213	-1½
MEPC	1,000	506½	-2½
Marks & Spencer†	1,800	588	+12
Mercury Asset Man	189	1693	+7
Misys	50	1757½	+5
Morgan Crucible	365	460	+½
Morrison (Wm.)	1,200	221½	
NFC	1,800	142½	-½
NatWest Bank†	2,100	1013	+1
National Grid†	2,000	283	-3½
National Power†	2,000	574	+½
Next†	554	692	+7
Northern Foods	302	252	-3
Northern Rock	1,700	578	+13½
Norwich Union†	6,100	381	+4
Nycomed Amer†	66	2253	+19
Nycomed Amer N/V†	109	2182	-8
Orange†	108	264	+14
Pearson†	1,600	774	+2
P & O†	659	686	+4
Pilkington	1,900	134½	+2
PowerGen†	739	801	-4
Premier Farnell	720	415	+4
Provident Financial	58	754½	
Prudential†	4,700	718	-2
REXAM	539	285	+2½
RMC†	379	852	+5½
Railtrack†	422	940	+12
Rank Group†	1,300	337	+3
Reckitt & Colman†	954	908	+4
Redland	381	343½	
Reed Intl.†	1,700	604	+7
Rentokil Initial†	3,000	280	+11½
Reuters†	3,000	636	+2½
Rio Tinto†	2,300	735½	+17½
Rolls Royce†	1,200	228	+1¼
Royal & Sun Allce†	1,700	699	+10½
Royal Bk Scotland†	2,000	755	+13
Safeway†	3,200	329	
Sainsbury†	1,400	490	+5
Schroders†	70	1900	+5
Schroders N/V†	2	1770	-10
Scottish & New.†	2,100	732	-13
Scot. Hydro-Elect.	589	494	+3½
Scottish Power†	1,300	522	+7
Sears	39,400	50½	+1
Securicor	1,100	282½	+1
Sema	20	1470	+2½
Severn Trent†	948	995	+4
Shell Transport†	8,100	425½	+1
Siebe†	575	1112	-1
Slough Ests	289	345	-3½
Smith (W.H.)	1,100	385	-4
Smith & Nephew	387	179	-1
SmKl Beecham†	3,300	612	-8
Smiths Inds.†	271	840	+12
Southern Elect	431	506	+8½
South West Water	47	924	-1½
Stagecoach	1,000	810	+2½
Standard Chartd.†	2,100	658	+5
Storehouse	1,800	230½	+1
Sun Life & Prov.†	159	440	+22
TI Group†	1,500	467	+15½
Tarmac	698	108	-1
Tate & Lyle	342	493	-1½
Tesco†	2,100	490	+8
Thames Water†	590	900	+25
Tomkins†	1,700	280	-4
Unigate	27	597½	+½
Unilever†	4,500	490	+3¼
United Assurance	61	522½	-1
United Biscuits	646	210	-½
Utd. News & Media†	393	701½	-2
United Utilities†	576	775	+10½
Vendome	1,400	477½	
Vodafone†	11,700	450½	+12½
WPP	907	264½	-1
Wessex Water	260	499½	+1
Whitbread†	1,100	910	+25
Williams†	2,300	338	+2
Wolseley†	693	488	
Woolwich†	884	325	+7½
Yorkshire Water	900	455½	+½
Zeneca†	1,300	2078	+21

Based on trading volume for a selection of major securities yesterday until 4.30pm. † Indicates a FTSE 100 index constituent or reserve. All trades are rounded. Source: Extel, part of FT Information.

LEGAL NOTICES

IN THE COURT OF SESSION

THE PETITION OF

EDINBURGH DRAGON TRUST PLC
a company incorporated under the Companies Acts and having its registered office at Donaldson House, 97 Haymarket Terrace, Edinburgh.

For Confirmation of Cancellation of Share Premium Account.

On 18 December 1997 the Court of Session pronounced the following Interlocutor:-

"The Lords appoint the Petition to be intimated on the Walls and to be advertised once in the Edinburgh Gazette and once in each of the Scotsman and the Financial Times newspapers: appoint all parties claiming interest to lodge Answers, if so advised, within 21 days after such intimation and advertisement.

I C Kirkwood
I.P.D

Of which intimation is hereby given."

Shepherd & Wedderburn WS
Saltire Court
20 Castle Terrace
Edinburgh

Agent for the Petitioners

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 23 / Sch)

BELGIUM/LUXEMBOURG (Dec 23 / Frs.)

CZECH REP (Dec 23 / Koruna)

DENMARK (Dec 23 / Kr)

FINLAND (Dec 23 / Mka)

FRANCE (Dec 23 / Frs.)

GERMANY (Dec 23 / Dm.)

GREECE (Dec 23 / Drachma)

ITALY (Dec 23 / Lira)

NETHERLANDS (Dec 23 / Fls.)

NORWAY (Dec 23 / Kroner)

POLAND (Dec 23 / Zloty)

PORTUGAL (Dec 23 / Escudo)

SPAIN (Dec 23 / Pta.)

SWEDEN (Dec 23 / Kronor)

SWITZERLAND (Dec 23 / Frs.)

TURKEY (Dec 23 / TL Lira)

PACIFIC

JAPAN (Dec 22 / Yen)

AUSTRALIA (Dec 23 / Aust$)

HONG KONG (Dec 23 / HK$)

INDONESIA (Dec 23 / Rupiah)

MALAYSIA (Dec 23 / MYR)

NEW ZEALAND (Dec 23 / NZ $)

SINGAPORE (Dec 23 / S$)

SOUTH KOREA (Dec 23 / Won)

TAIWAN (Dec 23 / TW $)

THAILAND (Dec 23 / Baht)

AFRICA

SOUTH AFRICA (Dec 23 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 23 / Can $)

MONTREAL (Dec 23 / Can $)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY DECEMBER 22 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY DECEMBER 19 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	191.90	-1.1	171.02	158.15	177.62	195.54	-0.9	3.88	194.02	172.39	158.17	178.41	197.37	243.87	190.41	217.13
Austria (23)	183.67	-0.6	163.69	151.37	170.01	169.89	0.1	1.95	184.70	164.10	150.57	169.84	169.72	213.59	175.14	186.59
Belgium (26)	253.89	-3.2	226.26	209.24	235.00	290.10	-2.6	3.00	262.35	233.10	213.87	241.25	236.18	262.35	224.11	225.23
Brazil (30)	220.08	3.4	196.13	181.38	203.70	451.52	3.5	1.97	212.77	189.05	173.46	195.66	436.41	322.44	184.94	187.50
Canada (122)	209.04	0.6	186.29	172.28	193.48	217.04	0.9	1.82	207.43	184.30	169.10	190.74	215.03	283.66	179.27	187.94
Denmark (32)	434.51	0.4	387.22	358.10	402.16	400.89	1.1	1.28	432.77	384.52	352.81	397.96	396.72	441.85	339.14	339.14
Finland (26)	273.61	1.8	243.83	225.49	253.25	309.20	2.5	2.03	268.86	238.89	219.19	247.24	301.67	349.43	239.60	240.20
France (84)	231.74	0.8	206.52	190.99	214.50	216.59	1.4	2.46	229.84	204.22	187.38	211.36	213.67	246.23	209.30	209.33
Germany (58)	221.74	-1.6	197.61	182.74	205.24	205.24	-1.0	1.43	225.41	200.28	183.76	207.28	207.28	243.87	184.23	186.51
Hong Kong, China (66)	337.75	-1.9	301.00	278.36	312.62	336.07	-1.9	4.75	344.44	306.03	280.80	316.73	342.71	580.03	314.76	497.48
Indonesia (27)	66.40	-1.2	59.18	54.72	61.46	213.86	1.7	3.15	67.24	59.74	54.82	61.83	210.37	254.90	52.01	225.42
Ireland (16)	388.06	-1.3	345.85	319.83	359.21	376.81	-0.8	2.62	393.34	349.49	320.67	361.71	379.88	409.57	313.39	313.39
Italy (53)	114.40	1.2	101.95	94.29	105.89	148.16	1.8	1.64	113.02	100.42	92.14	103.93	146.56	115.27	81.74	81.74
Japan (481)	91.17	-4.2	81.25	75.14	84.39	75.14	-3.1	1.06	95.17	84.56	77.58	87.51	77.58	141.12	91.17	131.52
Malaysia (107)	163.57	-1.3	145.77	134.81	151.40	240.04	-1.6	3.03	165.66	147.19	135.06	152.34	244.05	660.85	157.13	585.84
Mexico (26)	1690.16	0.0	1506.23	1392.94	1564.42	14990.41	-0.3	1.62	1690.02	1501.60	1377.77	1554.10	15039.12	1901.98	1199.83	1206.91
Netherlands (19)	400.64	0.0	357.04	330.19	370.66	366.87	0.7	2.29	400.50	355.85	326.50	368.29	364.40	440.67	325.28	325.28
New Zealand (14)	76.13	-0.6	67.85	62.74	70.47	69.82	0.1	4.43	76.56	68.02	62.41	70.40	69.72	96.47	75.37	91.89
Norway (38)	309.48	-1.7	275.81	255.06	286.46	306.23	-1.1	1.99	314.78	279.67	256.60	289.44	309.75	374.64	283.61	283.61
Philippines (22)	80.07	-0.1	71.36	65.99	74.12	160.18	2.1	1.31	80.14	71.20	65.33	73.69	156.83	214.07	74.95	204.22
Singapore (42)	229.65	-1.9	204.66	189.26	212.56	177.21	-1.7	1.81	234.15	208.04	190.88	215.31	180.30	448.01	215.21	413.72
South Africa (43)	260.00	0.1	231.71	214.28	240.66	275.90	-0.1	3.12	259.83	230.86	211.82	238.94	276.09	370.12	251.92	312.86
Spain (33)	267.66	-0.4	238.54	220.59	247.75	305.69	0.1	2.23	268.82	238.67	218.99	247.02	305.35	277.33	208.12	211.10
Sweden (46)	460.39	0.0	410.29	379.43	426.14	530.09	0.4	1.96	460.22	408.91	375.18	423.20	527.82	538.94	405.00	414.66
Switzerland (31)	333.28	0.4	297.01	274.67	308.48	296.97	1.0	1.13	331.99	294.98	270.65	305.29	294.14	337.11	231.69	236.69
Thailand (39)	20.02	-8.8	17.84	16.50	18.53	36.56	-7.0	7.87	21.96	19.52	17.91	20.20	39.30	103.98	19.61	96.75
United Kingdom (213)	328.01	-0.3	292.31	270.32	303.60	292.31	-0.1	3.37	329.14	292.44	268.33	302.67	292.44	337.99	271.72	273.00
USA (641)	388.99	0.7	346.66	320.59	360.05	388.99	0.7	1.60	386.46	343.37	315.05	355.37	386.46	401.22	299.79	304.56
Americas (818)	353.09	0.7	314.67	291.00	326.82	298.06	0.7	1.61	350.70	311.60	285.91	322.50	296.04	365.75	274.42	278.29
Europe (703)	283.18	-0.2	252.38	233.39	262.11	265.29	0.2	2.42	283.85	252.20	231.40	261.02	264.66	296.25	233.21	239.21
Nordic (147)	403.26	0.2	359.38	332.35	373.26	405.76	0.7	1.65	402.57	357.68	328.19	370.19	403.05	464.93	352.62	354.40
Pacific Basin (872)	101.48	-3.6	90.44	83.64	93.93	84.56	-2.8	1.75	105.26	93.53	85.81	96.80	86.95	158.99	101.48	150.08
Euro-Pacific (1575)	177.26	-1.4	157.97	146.09	164.07	152.53	-0.8	2.20	179.75	159.71	146.54	165.29	153.73	208.12	173.55	184.64
North America (763)	377.53	0.7	336.45	311.14	349.45	377.43	0.7	1.61	375.05	333.24	305.76	344.89	374.92	389.57	292.34	297.50
Europe Ex. UK (490)	253.00	-0.2	225.47	208.51	234.17	244.07	0.4	1.87	253.43	225.18	206.60	233.05	243.08	267.07	206.59	207.11
Pacific Ex. Japan (391)	193.09	-1.5	172.08	159.14	178.73	194.12	-1.4	4.03	196.11	174.25	159.88	180.34	196.84	320.85	192.39	309.17
World Ex. US (1796)	181.11	-1.2	161.40	149.26	167.63	159.13	-0.6	2.18	183.30	162.86	149.43	168.56	160.16	212.89	176.94	186.74
World Ex. UK (2224)	240.57	-0.2	214.39	198.26	222.67	216.88	0.0	1.70	241.14	214.26	196.59	221.75	218.81	262.69	211.16	219.23
World Ex. Japan (1956)	326.32	0.3	290.81	268.93	302.04	319.49	0.5	1.96	325.40	289.12	265.28	299.23	318.06	344.35	270.77	272.00
The World Index (2437)	247.97	-0.2	220.99	204.37	229.53	225.53	0.0	1.88	248.59	220.88	202.86	228.80	225.49	268.47	216.61	223.83

 CONSTITUENT CHANGES WITH EFFECT 23/12/97: Deletion: Worms & Cie (France); Freeport McMoran (USA). Market closed 23/12/97: Japan.

Emerging markets: IFC Investable indices

FT Free Annual Reports Service

4 pm close December 23

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	1997 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	AAR	0.48	1.2	30	355	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	AMP	1.04	2.6	23	4183	40½	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	AMR			9	6240	125	[illegible]	[illegible]	
[illegible]	19	ASA	1.20	5.5	14	714	22	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

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- J -

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- K -

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- M -

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- N -

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- P - Q -

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- T -

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- U -

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- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial. d-new yearly low. P/E price-earnings ratio. ds-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 22	Dec 19	Dec 18	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7819.31	7756.29	7846.50	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.96	105.00	104.91	105.12 (16/12)	101.09 (14/4)	105.12 (16/12/97)	54.99 (1/10/81)
Transport	3148.38	3143.24	3173.77	3358.27 (15/10)	2222.07 (2/1)	3358.27 (15/10/97)	13.23 (8/7/32)
Utilities	267.71	264.75	265.19	267.71 (22/12)	209.47 (25/4)	267.71 (22/12/97)	16.53 (8/7/32)

DJ Ind. Day's high 7892.05 (7878.60) Low 7710.45 (7563.29) (Theoretical¶)
Day's high 7844.72 (7846.60) Low 7743.34 (7576.23) (Actual¶)

Standard and Poors	Dec 22	Dec 19	Dec 18	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	953.70	946.78	955.30	983.79 (5/12)	737.01 (2/1)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials¶	1102.91	1093.80	1102.88	1146.82 (7/10)	865.42 (11/4)	1146.82 (12/12/97)	3.52 (30/6/32)
Financial¶	116.76	116.43	118.00	120.83 (8/12)	80.75 (2/1)	120.83 (8/12/97)	7.13 (4/9/74)
Others							
NYSE Comp.	500.48	497.39	501.69	514.31 (5/12)	389.47 (11/4)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp	663.07	660.68	664.87	721.90 (7/10)	541.20 (28/4)	721.90 (7/10/97)	524.20 (16/7/96)
NASDAQ Cmp	1532.06	1524.74	1523.19	1746.85 (9/10)	1201.00 (2/4)	1746.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	422.88	420.03	420.35	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

■ RATIOS

	Dec 19	Dec 12	Dec 5	Year ago
Dow Jones Ind. Div. Yield	1.76	1.74	1.68	2.04
	Dec 17	Dec 10	Dec 3	Year ago
S & P Ind. Div. yield	1.48	1.48	1.46	1.87
S & P Ind. P/E ratio	25.90	26.09	26.33	22.74

US DATA

■ MARKET ACTIVITY

● Volume (million)	Dec 22	Dec 19	Dec 18
NYSE	534.560	793.00	618.870
Amex	28.215	34.905	29.298
NASDAQ	637.859	803.565	750.936

NYSE	Dec 22	Dec 19	Dec 18
Issues Traded	3,453	3,441	3,456
Rises	1,670	889	1,023
Falls	1,288	1,969	1,912
Unchanged	495	484	521
New Highs	198	123	137
New Lows	91	158	85

■ NYSE TRADING ACTIVITY — Volume : 534,560,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
States Is Bc	8,887,900	19¼	+7⅛
Compaq	5,362,900	54⅝	+1
Fst Data Cp	5,075,600	25¾	-⅛
AT & T	4,572,800	63⅝	+2⅝
Unisys	4,491,800	12¼	-⅛
Ph Morris	3,915,700	45	+¼
IBM	3,243,300	102¼	+⅜
Coca Cola	3,139,900	68¼	+⅝
Micron Tch	3,115,500	26⅛	-1⅛
Republic Ind	3,112,200	20⅜	-1¼

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
States Isl Bc	19¼	+7⅛	+58.9
Dynatech	46⅝	+10⅛	+27.7
Lafrace	29⅛	+4⅝	+19
Avis Rent	33⅝	+2⅝	+9
Downs			
Kubota Cp	53⅝	-8⅛	-13.4
RMI Titan	17⅜	-1⅞	-10.1
Libbey	37⅝	-3⅞	-9
Rowan	27⅛	-2⅝	-8.8

■ NASDAQ TRADING ACTIVITY — Volume :637,859,000

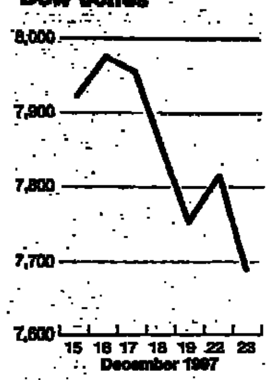
■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Intel Corp	18,808,600	71⅛	+1⅛
Cisco Sys	10,404,300	54⅝	+1⅛
Oracle Cp	9,723,700	21⅜	+⅛
Dell Cmptr	8,727,100	81⅝	+3⅛
Microsoft	7,261,700	127⅞	-1⅝
Appld Mat	7,241,300	36⅝	+⅛
3Com Corp	5,784,700	32⅝	+⅛
Ascend Com	5,291,900	25⅝	-1⅛
Danka Bus	5,086,400	17⅝	+1⅛
Worldcom	4,849,800	32⅞	-⅞

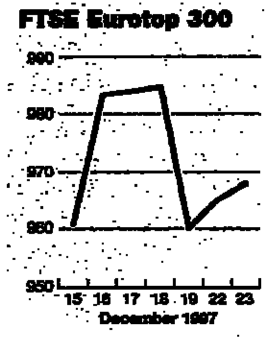
■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Chemi-Trol	20⅜	+6⅛	+46.4
Essex Cnty	45	+7	+18
Mil Mangmnt	17⅝	+2⅝	+17.5
Reliable Lf	110	+15	+15.8
Downs			
Digi Link	9⅝	-2⅝	-22.8
Pexford Cp	31⅝	-4⅝	-12.3
CSK Cp ADR	23⅝	-3⅛	-12.2
Hibbt Sprt	22⅝	-2⅞	-11

Dow Jones



FTSE Eurotop 300



JAPAN

	Dec 23	Dec 22	Dec 19	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	Closed	14799.40	15314.89	20681.07	14799.40	38915.9	85.25

■ TOKYO TRADING ACTIVITY — Volume : 678,000,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Toshoku	77,233,000	2	-1
Yamaichi Sec	28,043,000	1	
Sakura Bank	20,500,000	360	-58
Fuji Bank	15,219,000	458	-67
NKK Corp	12,168,000	95	-7
LTCB	11,400,000	178	-32
Daiwa Bank	10,326,000	221	-74
Stomo Mtl Ind	9,298,000	170	-29
Yasuda T & B	8,808,000	130	-9
Np Steel Co	8,494,000	184	-4

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Goldsin	80	+12	+17.7
Dijet Ind	185	+25	+15.6
Downs			
Nippon Lace	46	-44	-48.9
Kaihin	130	-60	-31.6
Fujii & Co	100	-45	-31
Np Convyr	78	-34	-30.9
Yuasa Shoe	141	-59	-29.5
Tokai Kanko	44	-17	-27.9

FRANCE

	Dec 23	Dec 22	Dec 19	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2858.13	2869.73	2822.90	3094.01	2256.97	3094.01	984.61

■ PARIS TRADING ACTIVITY — Volume : 441,497,740

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Ass Gen Frce	1,888,840	316.0	+0.5
France Tel	1,253,400	209.0	+0.2
Cie Paribas	1,034,059	507.0	+3.0
Pernod	1,010,122	358.9	+17.9
LVMH	927,582	930.0	
Usinor	861,452	78.95	-0.65
Rhone Poulenc	840,445	252.0	-7.5
Elf Aquitaine	722,752	663.0	-6.0
Euro Disney	682,878	6.9	-0.1
AXA-UAP	673,924	463.9	+0.9

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Dv Reg de Sd	9.5	+1.6	+20.3
Remy Cntr	100.2	+12.8	+14.6
Gravograph	51	+4.8	+10.8
Locda	75	+6.85	+9.7
Downs			
Arjomari-Prx	1269	-354	-21.9
Michelin A	225	-24	-9.6
Gartois	772	-68	-8.1
Supra	43	-2.85	-6.2

GERMANY

	Dec 23	Dec 22	Dec 19	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4121.79	4043.02	4084.75	4438.93	2848.77	4438.93	931.18

■ FRANKFURT TRADING ACTIVITY — Volume : 10,814,219

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Commrzbnk	940,223	73.9	+1.4
Deutsche Tel	672,435	31.9	+0.65
Bayer	643,844	63.2	+3.2
Siemens	530,701	102.15	+1.8
Deutsche Bnk	417,482	122.95	-1.15
Veba	401,223	119.95	+4.85
Dresdner Bnk	389,171	83.0	+1.9
BASF	369,979	61.1	+1.8
Hoescht	353,953	58.7	+0.9
Daimler Benz	300,193	120.5	+7.2

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Bien-Haus	500	+50	+11.1
Einbell MV	26	+2	+8.3
Moksel	12	+0.9	+8.1
Bilfgr & Brgr	57.4	+3.8	+7.1
Downs			
Eisenz	52	-5	-8.8
Hertlz	151	-11	-6.8
Zanders MV	110	-8	-6.8
Sixt	134	-9	-6.3

UK

	Dec 23	Dec 22	Dec 19	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5049.8	5018.2	5020.2	5330.80	4056.60	5330.8	986.9

■ LONDON TRADING ACTIVITY — Volume : 639,200,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Burford	13,601,200	101	
Vodafone	11,685,210	450½	+12½
BTR	10,147,970	180	-1½
Argyle	9,877,155	87	+¼
Shell T&T	8,097,262	425½	+1
ASDA	7,929,967	178	
Neopsend	6,569,227	53½	+1
Diageo	6,498,965	559	-11
Cordrica	6,461,971	91	
Eurotunnel	6,193,698	374½	+7

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
First Call	10	+3¾	+60.0
Stat Zig	940	+215	+29.7
Mulberry	62½	+7½	+13.6
Calicentre	310	+35	+12.7
Downs			
Reflec	9½	-22	-69.8
Riverview	92½	-17½	-15.9
Vision Grp	70½	-12	-14.5
Merrydown	53½	-7½	-12.3

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	962.40	958.60	-4.20	965.00	956.70	78,161	356,871
Jun	974.80	968.30	-4.80	974.80	967.00	366	8,337
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	15180.0	14690.0	-	15260.0	14470.0	29,220	189,306
Jun	14920.0	14690.0	-	14920.0	14480.0	214	30,499

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2870.0	2863.0	-12.0	2881.0	2859.0	16,439	26,057
Jan	2876.5	2869.5	-12.0	2888.5	2865.0	10,666	25,364
■ DAX							
Mar	4160.0	4170.0	+4.0	4190.5	4138.0	14,854	60,474
Jun	4195.0	4196.0	+4.0	4200.0	4193.0	6	8,034

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2282.75	2276.50	-31.50	2294.75	2268.73	1,903	10,786
Jan	2289.00	2270.00	-45.00	2301.25	2264.00	5,374	20,432
■ SOFFEX							
Jan	6074.8	6050.0	-24.0	6076.0	6025.0	2,575	19,541
Mar	-	6066.0	-	-	-	-	-

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Dec 23	Dec 22	Dec 19	1997 High	1997 Low	Yield	P/E
Argentina	General	21694.52	21940.88	21694.95	25771.79 22/10	18937.37 2/1	3.41	18.2
Australia	All Ordinaries	2558.9	2503.4	2528.1	2778.20 25/9	2299.20 28/10	3.64	18.2
	All Mining	598.7	574.6	577.0	987.19 24/2	541.39 27/11		
Hungary	Bux	7592.76	7511.96	7501.77	8493.80 6/8	4291.39 6/1	na	na
India	BSE Sens.	3641.11	3616.34	3540.91	4548.02 5/8	3225.24 2/1		
	Crisil 500	682.23	658.94	645.63	843.29 5/8	616.29 12/12	na	na
Poland	WIG	13642.3	13619.8	13767.2	16339.40 18/2	13619.80 22/12	1.81	10.3
Portugal	BVL 30	3721.90	3576.50	3653.70	3700.19 18/12	2186.57 2/1	1.58	25.8
	PSI 20	8670.10	8569.63	8500.30	8609.41 18/12	5182.34 2/1		

Gold sector jumped 7.5 per cent after Homestake's bid for Plutonic sparked speculation that other deals may follow.

An initially rising market lost ground as investors booked profits at the end of the year's last full account period.

Investors shrugged off a weak start on Wall Street, buoyed by hopes of continued foreign interest in Portuguese shares.

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NASDAQ NATIONAL MARKET

4 pm close December 23

[illegible]

NASDAQ NATIONAL MARKET

[illegible]

AMEX PRICES

4 pm close December 23

[illegible]

EASDAQ

[illegible]

FINANCIAL TIMES Wednesday December 24 1997

Banks edge lower on Korean fears

AMERICAS

The troubles afflicting South Korea appeared to exert a minimal impact on Wall Street where share prices moved downwards, but only slowly in thin trading, *writes John Authers in New York.*

By midday, the most closely watched indices were lower, but by very little. The Dow Jones Industrial Average lost 13.2 at 7,806.11, the S & P 500 fell 1.56 at 952.14, and the Nasdaq Composite eased 1.93 at 1530.13.

International banks, potentially vulnerable in the event of a widespread default in Asia, suffered more than most.

JP Morgan had the worst morning of any of the 30 constituent stocks of the Dow, dropping almost 2 per cent, down $2¼ at $113⅝.

The other "money centre" banks also fared worse than the market as a whole, with Citicorp down $1 7/16 at $125 5/16 and BankAmerica $1 1/16 lower at $71 9/16.

There were sharp falls early in the session, in line with the recent trend for extreme volatility, and the "uptick rule" was triggered at one stage when the Dow fell more than 50 points. However, volume was thin, with 236,000 shares changing hands on the New York Stock Exchange by midday, and this probably exaggerated the levels of volatility.

This was most noticeable in the technology sector, which has been hit more than most by fears that the problems in the Asian economies will hit their exports. However, there was little marked trend for the sector as a whole.

Computer manufacturers had a strong morning after recent falls, with Compaq Computer gaining 2.8 per cent or $1½ at $56 and Gateway 2000 adding 2.7 per cent, up $⅞ at $33 3/16. Dell Computer, whose stock has trebled in value this year, was up $½ at $82¼.

Other technology powerhouses were much weaker, with Oracle, still buffeted by the reaction to its disappointing earnings figures two weeks ago, dropping 2.9 per cent at $21⅛.

TORONTO trod the same weaker path as Wall Street and at midsession the TSE-300 composite index was 20.83 lower at 6,574.70 as strength in golds was overwhelmed by weakness in the metals and minerals, and the oil and gas sectors. Turnover was a hefty 57.7m shares.

Quebecor tumbled C$1.40 to C$25.60 after the company's announcement on Monday that it had abandoned plans to redistribute to shareholders its holdings in Quebecor Printing Donohue.

Quebecor's Class B shares declined C$2.05 to C$25.50 in heavy volume of 1.5m shares. Quebecor Printing rose C$1.05 to C$25.05 while Donohue Class A shares rose C$1.15 to C$24.75.

Telebrás keeps gaining

SAO PAULO edged higher in thin trade and at midsession the Bovespa index was up 26 or 0.27 per cent at 9,521.

Federal telecommunications group Telebrás rose 0.5 per cent to R$120.80, with traders attributing the continued gains for the shares to investor confidence that the Brazilian telecommunications system will be completely privatised as scheduled by next June.

In addition, soon after trading began, Telebrás announced a 34 per cent rise in net profit for the first 11 months of the year.

MEXICO CITY followed Korea and Wall Street lower, with the IPC index slipping 13.12 or 0.26 per cent to 4,918.45.

Debt worries send Seoul down record 7.5%

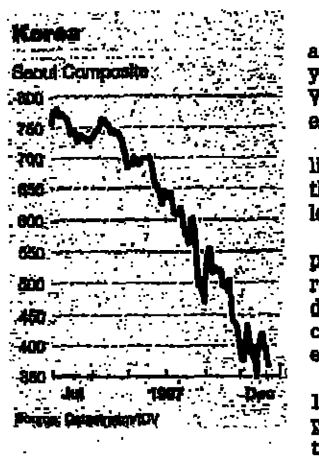
ASIA PACIFIC

The Seoul stock market yesterday suffered a record daily fall of 7.5 per cent because of growing worries about a possible debt moratorium after government and corporate bonds were downgraded to "junk bond" status by Moody's and Standard & Poor's, *writes John Burton.*

The credit downgrades increased prospects that foreign banks would refuse to roll over short-term debt due this month and increased the odds of defaults on overseas loans.

Nearly 85 per cent of listed shares declined by the daily limit of 8 per cent as interest rates rose to a record high of 31.45 per cent. That increased fears of a credit crunch that would lead to more bankruptcies. The composite index plunged 29.70 to 366.36.

The Korean currency, the won, dropped to a record low of 1,962 to the dollar as companies sought dollars to settle their overseas payments by year-end.



Remarks by Kim Dae-jung, Korea's president-elect, that the debt situation was much worse than expected and could cause "national bankruptcy" added to investor nervousness.

Pressure on the market also resulted from investors selling large blocks of stocks to realise gains before year-end on worries that the bourse will fall further. This included the sale of shares in Pohang Iron & Steel (Posco), which sank Won3,700 to Won43,300, by the state-run Korea Development Bank.

Trading in Posco shares accounted for about half of yesterday's turnover of Won1,170bn, the second largest since May.

Other blue chips hit their limit lows after Moody's cut the credit ratings for some leading companies.

JAKARTA closed nearly 3 per cent higher as dealers reported widespread window dressing by institutions and companies ahead of the year-end.

The composite index rose 11.18 to close at 390.03, led by property stocks which were the main focus of buying. Lippo Land gained Rp125 or 38.4 per cent to Rp450 before being suspended for exceeding its daily permitted rise. Lippo Cikarang also ended limit up, rising Rp125 to Rp450.

SYDNEY closed with a solid 2.2 per cent rise on the back of rallying gold stocks and firmer overseas markets.

Monday's news of a near A$1bn friendly takeover offer for Plutonic Resources by US miner Homestake Mining pulled Plutonic 57 per cent higher to A$4.40. The sector as a whole jumped 7.5 per cent as the proposed merger sparked speculation that other deals may follow.

The improved bullion price also helped. Among the strongest gold miners were Acacia Resources, up 11 cents to A$1.44, and Newcrest Mining, 15 cents firmer at A$1.69.

The positive sentiment was spread across the board, and some of the big miners received a welcome boost.

Tokyo was closed for a public holiday.

BHP ended 34 cents up at A$14.08, WMC 16 cents up at A$5.08 and Rio Tinto rose 47 cents to A$17.27.

An even brighter shining star was media group News Corp which jumped 33 cents to A$8.29 in moderate volume after last weekend's positive ticket sales in the US for its new Titanic film.

The All Ordinaries index rose 55.5 to 2,558.9.

WELLINGTON tumbled 3.2 per cent as majority US shareholders in Telecom signalled their exit. The shock news from baby Bells Ameritech and Bell Atlantic sent Telecom spiralling NZ$1 or 11.5 per cent to $7.70, wiping NZ$1.7bn off the company's value. The barometer top 40 index, in which Telecom has a 25 per cent weighting, fell 73.41 to 2,227.20.

Analysts noted that Ameritech's plan to sell its 25 per cent holding by public tender meant there would be a huge overhang in the stock. Bell Atlantic is also effectively selling, but is taking three years to do so and by a less direct route.

KUALA LUMPUR closed sharply lower after a fresh wave of downgrades of Malaysian companies by the US rating agency, Standard & Poor's. The composite index fell 13.48 or 2.4 per cent to 556.35, having dipped to 552.03 in the afternoon.

Telecommunications giant Telekom lost 40 cents to M$10.80 and electricity utility Tenaga dropped 5 cents to M$6.85 after S&P lowered its long-term foreign currency rating from A-plus to A. Banking and financial stocks were also in the firing line, and the financial index lost 4.68 per cent to 2,856.81.

BANGKOK lost 2.7 per cent, hit by currency worries and a sell-off in the banking sector. The composite index ended 10.08 lower at 366.87.

Dealers said investors were bailing out of banking stocks after Thailand's finance minister warned on Monday that commercial banks needed to refinance as fast as possible due to increases in non-performing loans. Bangkok Bank ended Bt1.50 lower at Bt86.50.

SOUTH AFRICA

Johannesburg gained across the board as bullion firmed and new data showed that inflation had dipped to its lowest level in 18 months.

Gold Fields and Gencor were both marked about 4 per cent higher as investors went on a final buying spree for the year, taking the gold index up 19.2 to 810.9. The overall index posted a 62.3 rise to 6,104.6.

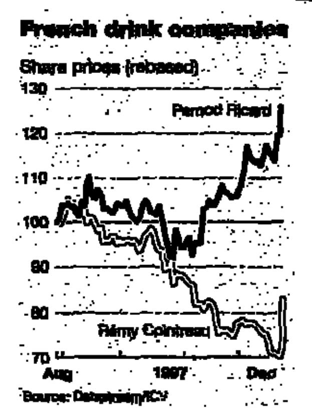
Pernod Ricard provides some seasonal sparkle

EUROPE

The drinks sector was bubbling in **PARIS** yesterday as investors speculated over how Pernod Ricard might spend the FFr5bn proceeds of its widely-applauded sale of the Orangina soft drink brand to Coca-Cola on Monday.

Pernod shares climbed 5.3 per cent as the stock returned from suspension, helped by an upgrade from local brokerage Ferri, which said the sale put Pernod in a position to expand through acquisition. Pernod shares closed at FFr356.90, up FFr17.90 on the day.

Analysts quickly picked out Rémy Cointreau as the most likely target, the shares rising FFr12.80 or nearly 15 per cent to FFr100.20 on talk of an imminent bid. Rémy would only say that any deal would have to be agreed by the Heriard-Dubreuil family, which owns 62 per cent.



Elsewhere, equities ended slightly lower after a quiet day on which they struggled unsuccessfully to make progress. The CAC 40 retreated 11.6 to 2,858.13.

FRANKFURT made modest gains in thin, pre-holiday trade that left the Xetra Dax index 7.25 firmer at 4,132.79.

The banks remained at the centre of attention as takeover speculation refused to die down. Commerzbank eased 20pfg to DM74 and Deutsche Bank was DM2.55 lower at DM122.30.

Volkswagen recovered from early losses to close DM22 higher at DM974 after the car manufacturer denied a newspaper report that its new Beetle and Golf models would be delayed.

MILAN flirted with record territory before losing ground towards the close, influenced by a weaker dollar and sliding US share prices. Having touched an all-time high of 16,367 in the morning session, the Mibtel index ended just 70 higher at 16,238. Financials were the main focus with BCI ending L61 higher at L5,771 and Generali advancing L520 to L42,308.

COPENHAGEN ended at a new all-time high, helped by renewed buying of financial stocks on hopes of sector consolidation.

The KFX index gained 2.21 to 204.73, beating the previous record closing level of 204.38 set on December 16.

FTSE Actuaries Share Indices — European series

December 23

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop300	968.11	+0.30	+2.90	2.31	0.00	975.20
FTSE Eurotop 100	2233.25	+0.35	+7.71	-	-	-
FTSE Eurotop 300 Regions						
300 UK	983.88	+0.60	+5.91	3.22	0.00	989.46
300 Ex-UK	959.70	+0.12	+1.18	1.78	0.00	962.04
300 Eurobloc	944.47	+0.43	+4.04	1.88	0.00	947.80
300 Ex-Eurobloc	987.38	+0.37	+3.62	2.53	0.00	997.18
FTSE Eurotop 300 Economic Groups						
Resources	918.09	+0.06	+0.55	2.88	0.00	931.88
General Industries	889.10	+0.35	+3.07	2.20	0.01	891.24
Consumer Goods	960.30	-0.07	-0.63	1.90	0.00	970.66
Services	962.28	+0.62	+5.91	2.34	0.00	966.56
Utilities	1017.82	+0.49	+4.93	2.74	0.00	1026.33
Financials	1038.41	+0.41	+4.19	2.23	0.00	1044.15

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

AMSTERDAM closed near the day's lows on profit-taking ahead of the year-end and with Wall Street's early weakness also depressing demand. The AEX index closed 8.07 lower at 876.75.

Philips and ASM Lithography, the semiconductor group, were among stocks to hand back early gains when sentiment turned during the session. Philips, up Fl 4 in early trade, finished Fl 3.30 lower at Fl 116.10. ASM ended Fl 3.40 down at Fl 127 after touching Fl 132.40 during the morning.

ABN Amro lost Fl 1.30 to Fl 87.60 in heavy trade as some analysts recommended a switch into ING, its fellow financial. ING closed 60 cents lower at Fl 81.90.

ZURICH shaded lower and the SMI index eased 4.6 at 6,044.7.

Among financials, Zurich saw solid gains of SFr9 to SFr679 after the insurer said it had signed a formal agreement to merge with BAT Industries' financial services business. Zurich's shareholders will receive a 57 per cent stake in the new company, up from the 55 per cent announced in October.

CS Group was among the biggest decliners among blue chips, slumping SFr5.75 to SFr219.75.

Analysts said the stocks may be pressured by unconfirmed rumours that the bank might be interested in Germany's Commerzbank.

Baloise, sharply higher on recent takeover speculation, gave back SFr71 to SFr2,705.

Written and edited by Michael Morgan, Jonathan Ford and Peter Hall.